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# Annual report of the Executive Director

***Summary***

We are proud to present the final UNOPS annual report on its strategic plan, 2014-2017, and our second report aligned to the Global Reporting Initiative – the sustainability reporting organization developed in collaboration with the United Nations Environment Programme (UNEP) and the United Nations Global Compact.

In 2017, UNOPS supported the United Nations in addressing critical humanitarian emergencies, vital development initiatives, and peace and security priorities in places such as Colombia, Myanmar, Somalia, Syria and Yemen. The year saw a rise in demand for UNOPS services, and for a second consecutive year we saw an increase in the implementation support provided directly to governments, which now represents more than a third of the UNOPS portfolio. Across more than 80 countries, UNOPS-supported projects created more than 2.1 million days of paid work for local people. Women undertook more than 370,000 of these days work. Our infrastructure activities included work on more than 2,300 kilometres of roads, 35 schools, 47 hospitals and 243 health clinics. Almost $540 million worth of procurement spend went to local suppliers, both lessening environmental impacts by reducing emissions, and directly supporting national economies.

Overall, UNOPS delivery exceeded $1.8 billion – a 25 per cent increase over 2016 figures – and, with more than 11,000 people on contract, working directly for UNOPS and for our partners, we provided our technical expertise and efficiency to the wider global development system. The organization continued to improve the way it operates, and through its strategic plan, 2018-2022, is well placed to increase its work in support of the 2030 Agenda for Sustainable Development, Member States, and the people they represent.

***Elements of a decision***

The Executive Board may wish to: (a) recognize the contributions of UNOPS to the operational results of governments, the United Nations and other partners in 2017, through efficient management support services and effective specialized technical expertise, expanding the implementation capacity for sustainable development; (b) take note of the successful implementation of strategic plan, 2014-2017, and the solid implementation platform established on which to initiate the strategic plan, 2018-2021, to support Member States in achieving the 2030 Agenda; and (c) take note of the recommendations of the Joint Inspection Unit and the progress made in implementing recommendations relevant to UNOPS.

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This report is based on data that is fully compliant with the Global Reporting Initiative ('GRI'), detailed in annex I.

## Introduction

1. The Executive Director is pleased to inform the Executive Board of the progress made during 2017 in implementing the UNOPS strategic plan, 2014-2017. In doing so, UNOPS has helped people build better lives and supported the progress of countries towards peace and sustainable development.

# I. Results framework

2. The UNOPS mandate was established by the General Assembly in resolution 65/176. The Executive Board approved the UNOPS strategic plan, 2014-2017, in its decision 2013/23. The Board welcomed the enhanced focus of UNOPS services to partners, and the emphasis on sustainability, national ownership and capacity development.

3. In 2017, to position the organization for its strategic plan, 2018-2021, and to establish priorities for executing activities to conclude the strategic plan, 2014-2017, UNOPS reported on its work around its mandated core competencies or focus areas: effective specialized technical expertise in infrastructure, procurement and project management; and efficient management support services.

4. In addition to these focus areas, at the request of the Board UNOPS reported on a third area: expanding the broader pool and effect of resources for the 2030 Agenda, including from the private sector.

5. In 2017, the focus areas were used to assess the outputs of 967 projects, 679 of which reported contributions to sustainability across a range of economic, environmental and social aspects. Percentages reflecting sustainability results throughout this report are weighed by delivery. Details of the results framework and reporting methodology are outlined in annex II.

6. Information in this report is aligned to Global Reporting Initiative ('GRI') sustainability standards. Further details of UNOPS results with associated GRI indicators are available in annex I.

# II. Highlights of results

7. More than 2.1 million days of paid work for local people were created through UNOPS projects in 2017, 22 per cent them undertaken by women. The majority related to infrastructure projects, including the construction, design or rehabilitation of 35 schools, 47 hospitals, 243 health clinics and 2,302 kilometres of roads. That compares with 50 schools, 74 hospitals, 278 health clinics and 3,025 kilometres of road in 2016. Last year, 3 million days of paid work were created.

8. UNOPS procured more than $1 billion worth of goods and services for its partners in 2017, a 10 per cent rise over the $900 million reported in 2016. UNOPS is committed to strengthening national economies by supporting local suppliers. In locations of operations where UNOPS maintains a physical presence, 51 per cent of procurement budgets were awarded to local suppliers, representing almost $540 million – up from 46 per cent and $400 million in the previous year.

9. As part of efforts to share UNOPS knowledge and expertise, almost 40,000 days of technical assistance were provided to partners (down from 50,000 in 2016). UNOPS helped develop local capacity by supporting more than 8,500 training days. Approximately 57 per cent of projects supported by UNOPS reported one or more activities that contributed to developing national capacity, an increase over the 55 per cent reported for 2016.

10. UNOPS is committed to climate neutrality. In 2017, preliminary analysis of UNOPS operations recorded greenhouse gas emissions of 16,931 tonnes of carbon dioxide equivalent, based on the 2016 method of calculation. In comparison, 14,969 tonnes were reported the previous year. All UNOPS emissions are offset using certified emission reductions, with gold-standard certification developed under the United Nations Clean Development Mechanism. During 2018, when a revised approach for calculating emissions is due to be introduced across the United Nations system, UNOPS emissions for 2017 will be recalculated.

11. In 2017, UNOPS supported the mine-clearance work of the United Nations Mine Action Service (UNMAS) and its partners in 17 countries and territories.

12. In 2017, demand for UNOPS services in conflict and post-conflict countries, least developed countries and other countries in vulnerable situations remained strong. UNOPS supported progress towards achieving a number of global and local objectives, including the Sustainable Development Goals. As in prior years, there was notable demand for support in relation to Goals 3, 9, 11, and 16. UNOPS provides expertise through a range of integrated services across multiple sectors and service lines. Details of UNOPS delivery in this area for 2017 are summarized in table 1, below.

**Table 1. Percentage of delivery associated with UNOPS respective service lines**

| Service line | Percentage of total delivery |
|---|---|
| Infrastructure | 25 |
| Procurement | 36 |
| Project management | 4 |
| Human resources | 13 |
| Financial management | 21 |

# III. Operational results

## A. Effective specialized technical expertise

13. UNOPS is committed to helping people achieve individual, local, national and global objectives through effective technical expertise grounded in international norms and standards. It provides a wide range of specialized expertise through its core service lines, across a number of contexts.

14. UNOPS applies sustainable implementation approaches through means that include exercising due diligence and respect for international human rights principles; engaging local communities, with an emphasis on protecting the most vulnerable; facilitating access to food, water, sanitation, energy, health, education, justice, and security-related services; and mainstreaming gender equality in its activities.

15. As part of its efforts to facilitate access to essential commodities, UNOPS has worked with partners in Yemen to meet basic needs. By the end of 2017, 22.2 million people were in need in the country, 17.8 million of whom were food insecure. To facilitate the inflow of commercial goods, UNOPS established the United Nations Verification and Inspection Mechanism for Yemen in December 2015, on behalf of the Government of Yemen and United Nations organizations. During 2017, 346 commercial vessels were cleared through the mechanism, successfully offloading over 6.6 million tonnes of food, fuel and supplies.

16. A key element of rebuilding efforts in Gaza is a project implemented by UNOPS under the Gaza Reconstruction Mechanism, a temporary agreement between the State of Palestine and Israel brokered by the United Nations. The project allows much-needed reconstruction materials to enter the territory. In 2017, 686,631 tonnes of cement were imported into Gaza through the mechanism, in an effort to rebuild homes and large-scale projects such as hospitals, schools, and water, sanitation and hygiene facilities. Project materials went to building or preparing for the rebuilding of homes for 23,553 families. Local suppliers participated by registering, helping to boost the local economy by placing the local private sector at the centre of reconstruction efforts. In 2017, 60 per cent of UNOPS projects reported positive effects on local economies.

17. To improve security and facilitate the movement of goods and people between Serbia and Kosovo, UNOPS is developing state-of-the art integrated border management facilities, with funding from the European Union. Designs were completed in 2017, and construction, including a range of environmental, resilience and sustainability measures, is under way. The crossing-point canopy will house a system of solar panels providing up to 24 hours of electricity a day. Local workers have received training in infrastructure best practices. Accreditations gained through this process include certifications from the Occupational Health and Safety

Assessment Series, the internationally recognized standard in health and safety. In 2017, 25 per cent of UNOPS projects reported providing formal training or certification programmes for beneficiaries or local workers.

**Box 1. Lighting up Sierra Leone through renewable energy**

In 2016, following the declaration that Sierra Leone was Ebola-free, the Government launched a series of initiatives aimed at improving the energy infrastructure to better prepare rural communities in the event of a future outbreak. One of these projects seeks to tackle the lack of sufficient medical infrastructure throughout Sierra Leone, especially in rural areas where many towns and villages lack access to electricity.

Funded by the Department for International Development of the United Kingdom and implemented by UNOPS, the project started in 2016 and aims to provide up to 5 megawatts of sustainable, low-carbon energy to rural communities across the country through the installation of solar power stations and mini-grid systems. This is the first project of its kind and scale in Sierra Leone and the sub-Saharan region. It will benefit up to 360,000 residents, including local businesses, and will help provide essential services. In 2017, solar power stations were installed at 54 community health centres across 12 districts of Sierra Leone.

Private sector companies have been invited to tender their services to run the power supply network in each village through a competitive selection process. Once appointed, successful firms will assume responsibility for the long-term operations and maintenance of the mini-grid networks, providing opportunities for employment in the local economy and ensuring long-term sustainability.

18. UNOPS supports innovative solutions wherever possible. In 2017, for example, on behalf of the Government of Antigua and Barbuda, UNOPS established a science and innovation centre in Antigua to identify and develop new ways of addressing climate change challenges. Academic partners included the Massachusetts Institute of Technology and Harvard University. The small island developing State is the first in the Caribbean to launch a dedicated facility encouraging local entrepreneurship in the areas of climate change and clean technology.

19. Forty-five per cent of UNOPS-supported projects reported measures to mitigate negative environmental effects. In Sri Lanka, 400,000 people benefit from an improved waste management system that helps ensure proper waste disposal while protecting the environment and local communities. Under the same programme, UNOPS constructed and rehabilitated drainage, wastewater, and sewage management solutions in two other districts. In 2017, the programme provided over 1,100 days of training, completed as part of the development contribution of the European Union to Sri Lanka.

20. In Niger, UNOPS provided a range of advisory services to the Millennium Challenge Account in Niger, an autonomous Nigerien government agency that will implement a five-year programme of works and business development funded by the Millennium Challenge Corporation. The $437 million initiative supports sustainable water management and agriculture activities and will benefit approximately 3.9 million people. In 2017, UNOPS provided more than 2,500 days of technical assistance in infrastructure and project management.

21. In Afghanistan, UNOPS supported government efforts to improve road transport across the Hindu Kush mountains. Funded by the World Bank, the project seeks to improve livelihoods across two highly populated and major economic regions. UNOPS provided technical assistance to strengthen the institutions of national counterparts in areas including procurement and contract and financial management. Activities include design and construction advice; supporting social and environmental safeguards; and capacity-building. In 2017, UNOPS provided 283 days of technical assistance in support of the project.

**Box 2. Modernizing family farming across Paraguay**

Agriculture is central to the economy of Paraguay. A large percentage of the population of more than 6.7 million people makes a living from agricultural work – especially in rural areas – often through subsistence farming. Agriculture also plays a significant role in international trade. Together with livestock rearing and hydroelectricity production, agriculture represents more than 60 per cent of exports.

Research conducted by the Government found that family farming represented more than 90 per cent of all agricultural operations, in a sector characterized by low productivity and limited access to land, capital and technology. Stagnant yields were attributed to erosion, loss of soil fertility, biodiversity loss, and concerns surrounding water use.

Since 2014, UNOPS has supported the Government in addressing these concerns through a key poverty reduction initiative: the modernization of family agriculture in impoverished areas. It involves a series of activities supporting sustainable land cultivation, procuring agricultural supplies, conducting monitoring work, and managing related projects.

Projects have helped rehabilitate over 40,000 hectares of agricultural land, strengthening food security and livelihoods for land users. Seventy agricultural centres were rehabilitated in 2017, and more than 13,000 hectares of land were improved in around 150 rural villages.

22. Kenya has one of the highest maternal mortality rates in the world. To help address the challenge, UNOPS is supporting the United Nations Children's Fund (UNICEF) in strengthening health-care services across five counties. In 2017, 42 health centres were rehabilitated, incorporating a range of green technology, and 4,376 community volunteers and health workers were trained. As part of the project, UNOPS established the first public-private partnership between United Nations organizations, local government, and a non-governmental organization in Kenya, to develop a much-needed medical facility: one of the largest oxygen plants in the country. UNOPS oversaw its design, construction and installation, including all procurement.

23. In 2017, UNOPS began activities aimed at strengthening Somali government institutions in the public works sector. Funded by the African Development Bank, this project seeks to enhance the capacities of state authorities to independently plan, manage and oversee infrastructure construction projects and maintenance works. Activities include supporting local government capacity-building, the development of public works legislation, ensuring the involvement of local communities and marginalized groups – such as women and youth – and creating employment opportunities through infrastructure-related training. In 2017, 57 per cent of UNOPS projects reported implementing capacity-building initiatives during project delivery.

24. In Panama, UNOPS helped the Government establish a public infrastructure coordination unit in the office of the President to strengthen national capacity for infrastructure programming, project management, procurement, construction, and supervision services in sectors such as health, education, water and sanitation. During 2017, 265 days of advice, technical support and training were provided to the project.

25. With the goal of eradicating polio in Afghanistan, UNOPS designed and constructed the Polio Emergency Operations Centre in Kabul, with funding from the Bill and Melinda Gates Foundation. The centre includes a range of sustainability measures, including solar panels, a biological wastewater treatment system, natural lighting, and an earthquake-resistant design. Construction of the Centre, completed in 2017, created 12,000 labour days for local workers.

26. As part of efforts to reduce famine and alleviate extreme poverty, UNOPS is helping increase the productivity of small-scale farmers by developing and improving roads in the Democratic Republic of the Congo. In 2017, in support of the Government, UNOPS worked on more than 1,200 kilometres of roads across three provinces (formerly the Équateur Province), creating 14,000 days of employment for local workers. In 2017, 23 per cent of UNOPS projects reported providing employment for local people.

27. Through support to 10 missions throughout Africa, UNOPS contributed to the peacebuilding work of the Department of Peacekeeping Operations and Department of Political Affairs. This included work for the United Nations Multidimensional Integrated Stabilization Mission in the Central African Republic. As part of those efforts, UNOPS supported a range of peacebuilding activities for the host Government. In 2017, these included providing learning opportunities for 2,605 ex-combatants – including 364 women – who received 90 days' vocational training in trades of their choice. Training sessions focused on raising awareness about gender, social cohesion and human rights. In 2017, 29 per cent of UNOPS projects reported on-the-job learning elements for local workers.

**Box 3. Beyond infrastructure: rebuilding homes with families and communities**

To provide relief to the ongoing humanitarian crisis in Gaza, UNOPS is contributing to the sustainable reconstruction of destroyed housing in the territory. Beneficiaries of this project are among the most vulnerable in society. Selected from internally displaced populations, these are families who lost their homes during the 2014 conflict.

Financed by the Government of Germany, in partnership with the Norwegian Refugee Council, new homes were designed in accordance with the owners' wishes and needs. Community groups were involved in the design of durable solutions, focusing on dedicated themes such as the needs of women. UNOPS verified that local building regulations were applied and, in the case of disabled or special-needs residents, that appropriate measures were implemented.

Far exceeding typical construction activities, the project included extensive additional support to families, including legal and financial dimensions. The project offered equal signatory power to husbands and wives for cash assistance grants, helping to ensure property rights for women. Legal support was extended to widows and divorced women to guarantee them legal recognition as homeowners.

In 2017, in support of local authorities, 140 houses were reconstructed under the project, creating 168,000 days of labour for local workers.

28. With funding from the Government of Japan, UNOPS helped improve the working conditions and capacities of six hospitals across Ukraine. Continuing past support, a range of specialized medical equipment was procured and installed in 2017 to improve health-sector response capacities and medical diagnostics procedures. Those activities are expected to improve health care services for more than 1 million people.

29. In 2017, UNOPS continued to work across Colombia in support of the national peace process, providing better housing conditions for vulnerable populations. As part of the social housing initiative, 1,316 individual designs for homes were agreed with families in 2017, and construction was completed on 120 family homes. The project created 5,300 labour days for local workers throughout the year. Since 2014, UNOPS has worked with the Department for Social Prosperity on housing initiatives, improving more than 6,000 family homes in over 60 locations, and benefiting approximately 28,000 people.

30. In a similar social housing example, UNOPS is working with the Government of Argentina in addressing urban poverty and promote social and economic inclusion by providing suitable housing to improve living conditions in vulnerable areas. The project was initiated in 16 communities across three provinces, and improved 411 family homes in 2017. Over the duration of the project, activities are expected to improve the lives of more than 7,500 people.

31. In further support of the Colombian peace process, UNOPS is providing technical assistance to the United Nations Verification Mission in Colombia. The mission, led by the United Nations Department of Political Affairs, was established to verify the reintegration of former Revolutionary Armed Forces of Colombia – People's Army members into political, economic and social life, including providing security guarantees for former Army members, their families and communities in the territories. In 2017, UNOPS supported camp infrastructure assessments in 15 rural locations across the country, providing the range of monitoring and supervision services required to initiate operations.

32. In Tanzania, UNOPS supported the Government in increasing the resilience of coastal zones against the negative effects of climate change and rising sea levels. In partnership with UNEP, through a project funded by the Adaptation Fund and Global Environment Facility, 2,400 metres of sea defence walls are being rehabilitated and constructed in seven sites along the coast of Tanzania. One seawall was completed in 2017, and construction works proceeded on the other sites. Solar street lights were installed along the seawalls. These activities allowed communities in low-lying areas and informal settlements to continue farming and engaging in income-generating activities.

## B. Efficient management support services

33. UNOPS is committed to enabling partners to 'do more with less' through efficient management support services, delivered locally or as global shared services. Services range from procurement, human resources, and financial and other shared services management, to providing dedicated secretariat services for partners under the UNOPS legal framework.

34. On behalf of the Department of Political Affairs, UNOPS enables the rapid deployment of a group of mediation experts to provide technical advice to senior United Nations officials and regional or subregional partners, leading mediation and conflict prevention efforts. Team members possess expertise in constitution-making, gender and inclusion, natural resources, power-sharing, process design, and security issues. In 2017, the team was deployed over 120 times, in 27 different contexts.

35. The Livelihood and Food Security Trust Fund focuses on improving the lives and prospects of rural poor people in Myanmar. It is a joint programme with contributions from Australia, Denmark, the European Union, France, Ireland, Italy, Luxembourg, the Netherlands, New Zealand, Sweden, Switzerland, the United Kingdom and the United States of America, as well as the Mitsubishi Corporation. In 2017, the Fund managed 86 grants worth $59.7 million to partners who implement projects improving rural poor people's agricultural productivity, nutrition, access to finance, skills, and job prospects.

**Box 4. Contributing to sustainable development in Serbia**

Funded by the European Union and the governments of Serbia and Switzerland, UNOPS and Serbia implemented the 'European PROGRES' programme. The largest area-based programme in Serbia, it supported the sustainable development of 34 local self-governments in the southern part of the country.

The programme sought to strengthen local governance, planning and management capacities; increase the competitiveness of local economies; encourage social inclusion; and improve access to employment; and communicate the effects of the accession of Serbia into the European Union.

The three-year programme improved the lives of more than 270,000 individuals, and indirectly benefited nearly one million people who live in the least developed districts – almost one-sixth of the population. It led to the creation of over 700 new jobs and nearly 100 new businesses, including business owned by women, youth and vulnerable populations.

The programme attracted more than 10 million Euros in economic and social projects. It also worked to improve the social and economic standing of more than 9,000 people from vulnerable groups, including 3,600 Roma men and women.

As part of this work in 2017, UNOPS managed 125 grants worth $3.3 million, and provided 402 days of technical assistance. More than 150,000 labour days were created for local workers, 90,000 of which were undertaken by women.

36. As part of efforts to improve the quality of formal education in schools serving over 30,000 children in Syrian refugee camps, UNOPS provided a range of services to support UNICEF in 2017, including the rehabilitation of schools and educational centres; procurement; facilities management; and providing transportation for schoolchildren. As part of the project, six solar systems were installed in schools in Azraq Camp and Zaatari Camp. Ramps were installed in 17 schools to improve access for disabled students to water and sanitation facilities. The project provided more than 1,400 cash-for-work opportunities in four Syrian refugee camps for assistant teachers, guards, cleaners and maintenance workers in 17 schools. In 2017, UNOPS provided more than 300 days of technical assistance as part of the project.

37. The Iraq Internally Displaced Persons Information Centre is a country-wide, toll-free helpline providing life-saving information to internally displaced people. The Centre serves as a centralized humanitarian resource to affected populations, reinforces accountability mechanisms, and facilitates the direct participation of affected people in humanitarian response decision-making. In 2017, the Centre responded to more than 76,000 calls – 24.5 per cent from women – for information about assistance and to register complaints. The project is implemented by UNOPS on behalf of partners including the European Commission, Iraq Humanitarian Fund,

the Office of the United Nations Resident and Humanitarian Coordinator in Iraq, the Office of the United Nations High Commissioner for Refugees (UNHCR), the Office for the Coordination of Humanitarian Affairs (OCHA), the World Food Programme, and the World Health Organization (WHO).

38. On behalf of partner organizations, UNOPS managed the contracts of 7,249 people during 2017. Partners supported included UNHCR, UN-Habitat, UNEP, UNICEF, WHO, the International Organization for Migration, and the Global Green Growth Institute.

39. The Regional Artemisinin-resistance Initiative of the Global Fund was created in response to the emergence of drug-resistant malaria in the Greater Mekong subregion. With funding from the Initiative, UNOPS supported Cambodia, Laos, Myanmar, Thailand and Viet Nam in purchasing commodities such as insecticide-treated nets, rapid diagnostic tests, and quality-assured drugs, which together yielded a sharp drop in malaria cases and deaths. As the principal recipient, UNOPS helped procure and distribute over 1.5 million insecticide-treated nets in 2017.

40. As part of shared services provided across the United Nations, UNOPS supported the procurement of over $104 million worth of goods through UN Web Buy Plus (compared with about $80 million in 2016).

41. In December 2017, OCHA opened its Centre for Humanitarian Data to increase the use and impact of data in humanitarian crises by offering data services and promoting data standards. UNOPS provided a range of management support services, including recruitment and procurement, to operationalize the Centre during 2017.

42. The 'RBM Partnership to End Malaria' (formerly 'Roll Back Malaria') is the global platform for coordinated action against malaria. It mobilizes action and resources, and forges consensus among more than 500 partners. The partnership includes malaria-endemic countries, their bilateral and multilateral development partners, the private sector, non-governmental and community-based organizations, foundations, and research and academic institutions. UNOPS provides secretariat services to the partnership.

43. In 2017, UNOPS supported mine-action, humanitarian, stabilization and explosive management activities, capacity-building of national actors and United Nations missions, and the weapons and ammunition management work of UNMAS and partners in 17 countries and territories. It provided human resources management, procurement, contracting, grants management, technical and operational support, and financial and legal services. For approximately $250 million, UNOPS helped its main partner, UNMAS, to deliver a range of results, including:

(a) In Afghanistan, in partnership with United Nations organizations and a local non-governmental organization, more than 1.4 million internally displaced people and returnees were provided with formal mine-risk education. In total, clearance activities resulted in 1,186 communities being declared mine-free. More than 98,000 mines and 1 million explosive remnants of war were destroyed.

(b) In Darfur, more than 90,000 small arms ammunitions were destroyed and some 200,000 beneficiaries received mine-risk education.

(c) In Iraq, training was provided to local police on first responder activities and explosive ordnance/improvised explosive device disposal. Technical advice and support was provided to finalize the National Strategic and Executive Plan for Mine Action, 2017-2021, in addition to supporting the application of the Government to receive a 10-year extension to locate and destroy all anti-personnel landmines.

(d) In Mali, improvised explosive device awareness and threat mitigation, training-of-trainers and search and detection training were provided to infantry troops in their home countries. National trainers taught over 4,800 peacekeepers. Improvised explosive device awareness training was provided to 2,822 peacekeepers upon their arrival in the country.

(e) In South Sudan, more than 11.8 million square metres of land contaminated by explosive hazards were released. More than 689 infrastructure sites, including housing, health care clinics, markets and water points, were made available for safe use, and 55 schools were cleared to ensure

children's safe access to education facilities. Risk education sessions were conducted for close to 350,000 people, including more than 74,000 women and 200,000 children.

(f) In Syria, to increase self-reliance and basic assistance services to housebound victims, mobile teams in the north of the country delivered self-care sessions and provided referrals for survivors of explosive hazards. Throughout the country, 27 international and local non-governmental organizations were coordinated to integrate mine action into the broader humanitarian response.

(g) In Western Sahara, more than 8 million square metres of land were released, 57 units of unexploded ordnance were destroyed, and some 17,000 men, women and children received mine risk education. With funding from Germany, an additional 28 million square metres of land were released.

## C. Expanding the pool and effect of resources

44. UNOPS is committed to supporting countries in expanding the pool and effect of resources available to achieve the 2030 Agenda. In line with Executive Board decisions 2016/12, 2017/16 and 2017/26, UNOPS continued to develop its social impact investing initiative and explore opportunities for collaborative partnerships to mobilize alternative funding sources for the 2030 Agenda, particularly in the areas of affordable housing, renewable energy, and water and sanitation. In 2017, UNOPS supported governments in achieving efficiencies in enhancing the effect of resources available for public procurement, and engaged in collaborative partnerships for South-South and triangular cooperation, as well as in public-private partnerships.

45. Establishing public procurement frameworks that realize even small efficiencies can constitute a major impetus towards attaining the sustainable development goals. Savings can be realized by making better use of the existing resources allotted to fund development objectives. Unspent funds from previously allocated budgets can then be made available for reallocation by national authorities, based on their identified needs.

46. In Guatemala, UNOPS has been working with the Government in support of health-related sustainable development objectives relating to the procurement of medicines. In 2017, UNOPS helped the Government to stock 124 hospitals and health centres across the country with more than 200 medicines for the social security institute. Through the use of UNOPS transparent and efficient procurement processes, the institute estimated savings approaching $27 million, representing approximately a 50 per cent reduction on the initial cost estimates. This calculation was made by comparing the actual costs through the UNOPS approach with the previous costs of securing those services, resulting in funds available for reallocation by national authorities. In 2017, UNOPS provided more than 2,585 days of technical assistance as part of this project.

47. UNOPS has provided technical assistance to the Government of Honduras. Through service-only and contract management models, UNOPS helped stock medical supplies for hospitals and health centres across the country. The service-only model involves UNOPS managing the procurement process until the selection of a provider has been finalized, at which point the process is handed over to national authorities to conclude. The UNOPS approach resulted in efficiency savings ranging from 30 per cent to 70 per cent on medicine prices. In addition in 2017, complete infrastructure and equipment needs assessments were conducted for 10 primary national hospitals, as well as a range of strategic planning advice for government partners. In 2017, more than 3,000 days of technical assistance were provided as part of this project.

48. In Argentina, UNOPS has been supporting the education goals of the Government in its objective to achieve 100 per cent internet connectivity in more than 40,000 public schools. As part of a programme of procurement assistance, over 600,000 units of laptops and related computer equipment were purchased in 2017. UNOPS expertise helped the Ministry of Education to reduce overall costs by up to 42 per cent compared to initial estimates for this activity.

**Box 5. Bringing in the private sector to expand the pool of resources for the sustainable development goals**

To achieve the sustainable development goals, the trillions of dollars in new investments to support infrastructure and other development projects will need to be mobilized.

In an effort to mobilize private sector investments, UNOPS partnered with mobile telecommunications operator Ooredoo, which invested $3.1 million to help combat high maternal and child mortality rates across Myanmar with the aim of achieving the national universal health coverage programme of the Government of Myanmar by 2030.

UNOPS is working with the Ministry of Health and Sports to design and construct 17 primary health care centres in communities throughout the country. The health centres are being constructed in eight states to serve community health needs, focusing especially on maternal, newborn and child health, and are expected to provide nearly 100,000 people with access to basic health-care services.

During 2017, construction was completed on nine centres. The buildings are designed to resist natural hazards such as earthquakes and incorporate the use of renewable power sources and technologies to help reduce waste. In 2017, 48,000 days of paid work were created for local workers in the project, of which, more than 6,000 days were undertaken by women.

49. In 2017, UNOPS continued exploring innovative solutions with the potential to deliver efficiency savings, such as the use of blockchain technologies. Related activities included establishing a partnership with the World Identity Network, and continuing to lead a United Nations cross-agency working group on the potential of blockchain technology for humanitarian assistance.

50. A number of other traditional UNOPS activities delivered during 2017 demonstrated innovative approaches to financing development, as well as progress on the path to expanding the pool and effect of resources for the implementation of the 2030 Agenda.

51. In Uganda, UNOPS is providing grants management services to the Food and Agriculture Organization of the United Nations on behalf of the Government, with funding from the European Union. This project seeks to encourage private sector investment in commercial timber plantations. Investors are offered a conditional grant of about 30 per cent of the estimated total investment. The project aims to increase incomes in rural communities through commercial tree planting by private sector producers, as well as by supporting maintenance operations of the plantations, and simultaneously mitigating the effects of climate change through intensive afforestation. In 2017, UNOPS managed over 700 grants as part of this project.

52. Despite global progress in addressing the challenges related to HIV/AIDS, the disease remains a concern in many nations. In 2017, seeking to improve the quality of care for individuals suffering from the disease in Uruguay, UNOPS provided infrastructure advice in the development of 10 health clinics in the form of contract negotiation and management support. An example of triangular cooperation, this activity received financing from the governments of Brazil, Germany and Uruguay, demonstrating a diverse mix of traditional and non-traditional funding.

53. In an example of South-South cooperation, in Saint Lucia, with funding from the Government of Mexico, UNOPS undertook a range of activities to improve local water supplies for approximately 10,000 residents in the Dennery region of the small island developing State. As part of a series of upgrades to the water supply network, a water treatment plant was constructed in 2017, and training activities were conducted to expand the capacity of officials in the sustainable management of the upgraded network.

# IV. Management results

## A. Delivery and partnerships

54. UNOPS delivery was $1.8 billion in 2017, as compared to $1.4 billion in 2016. It was thus a record year in terms of financial turnover. The growth can be attributed to an increase in government demand for UNOPS services, which almost doubled in 2017.

55. Direct support to governments accounted for the largest increase in delivery value, accounting for $662 million, as compared to $352 million in 2016. The largest partnership with a host government during 2017 was with Argentina, followed by Peru, Ethiopia, Honduras and El Salvador, respectively. Total direct support to governments was 37 per cent of delivery, compared with 25 per cent in 2016. The largest donor government to which UNOPS delivery can be directly attributed was that of the United Kingdom, followed by those of the United States, Canada, Japan and the Republic of Korea, respectively.

56. In 2017, 32 per cent of UNOPS delivery was on behalf of the United Nations system, down from 43 per cent in 2016. In real terms this represented delivery of approximately $579 million, compared to $600 million in 2016. The largest United Nations partner was the Secretariat, most significantly the Department of Political Affairs, the Department of Peacekeeping Operations and the Department of Field Support, which together accounted for approximately $314 million. That delivery comprised providing support to the peace and security work of the United Nations Mine Action Service (UNMAS). Other 2017 trends among United Nations partners included a fifth consecutive year of increasing delivery on behalf of the Office of the United Nations High Commissioner for Refugees, from $70 million to $80 million in 2017. Other strong partnerships included support to UNEP and WHO.

57. UNOPS partnered with international financial institutions, including the African Development Bank and the Inter-American Development Bank, to deliver $50 million in services. Its largest partner was the World Bank, with a total value down slightly, from $44 million to $42 million in 2017.

58. UNOPS work for the European Union decreased slightly, from $56 million to $52 million of delivery in 2017. Projects during 2017 included roads in South Sudan and support to the justice sector in Tunisia.

59. The UNOPS partnership with the Global Fund to Fight AIDS, Tuberculosis and Malaria continued to grow in 2017. UNOPS delivered $128 million in services – compared with $110 million in 2016 – and worked as a local fund agent for the Fund in 13 countries.

60. UNOPS supported the management of a number of programmes financed by multiple donors, the largest of which are in Myanmar – such the Three Millennium Development Goal Fund – or operate globally, such as the Water Supply and Sanitation Collaborative Council Global Sanitation Fund and the Stop TB Partnership. In 2017, UNOPS delivered $174 million in services for those funds and programmes.

61. In 2017, the largest countries of delivery were Myanmar, Argentina, Somalia, South Sudan, and Mali, in that order. In 2016, they were Myanmar, Somalia, Mali, South Sudan, and Afghanistan.

62. New agreements between UNOPS and its partners reached $2.3 billion, slightly lower than the previous year's total of $2.6 billion – with significant new engagements, including regional programmes with the Global Fund in Asia and reconstruction work in Yemen, funded by the World Bank.

63. The 2030 Agenda and the Small Island Developing States Accelerated Modalities of Action (SAMOA) Pathway recognized that the challenges faced by small island developing States call for special attention, as they face unique vulnerabilities in their sustainable development, particularly the effects of climate change. In 2017, UNOPS signed agreements with Antigua and Barbuda, Nauru, Palau, Saint Lucia, and Sao Tome and Principe.

64. During 2017, UNOPS worked with internal and external stakeholders in developing and launching a new website to better communicate the focus and expertise detailed in its strategic plan, 2018-2021.

## B. Process excellence

65. Following an organization-wide exercise to gather data on aspects of sustainability relevant to UNOPS, the organization produced its second report aligned to GRI standards. The report refined a series of indicators identified to assess UNOPS sustainable implementation approaches, and provided an overview of UNOPS operations worldwide.

66. In 2017, UNOPS was assessed by the International Organization for Standardization ('ISO') and maintained its 9001 Quality Management certifications. In addition, UNOPS was assessed by the European Foundation for Quality Management, which awarded it a five-star silver rating in its global excellence index of best performing organizations.

67. Following a scope expansion and the issuance of a new institutional policy, UNOPS expanded its ISO 14001 certified environmental management system to cover its activities and facilities. In 2017, operations in Sierra Leone and Tunisia were certified, adding to existing certifications in Afghanistan, Denmark Ghana, Kosovo, Myanmar, Sri Lanka and the State of Palestine.

68. The same expanded institutional policy covers certifications in health and safety management systems – Occupational Health and Safety Assessment Services 18001 – which now applies to all UNOPS activities and facilities. In addition to certifications in Denmark, Kosovo, Myanmar and the State of Palestine, operations in Ghana were certified in 2017. This achievement forms the basis for UNOPS compliance with CEB/2015/HLCM/7/Rev.2 on the adoption of occupational safety and health systems in all United Nations organizations.

69. UNOPS continued to implement refinements and additional features to its new enterprise resource planning system in 2017, including dedicated enterprise risk management functionality.

70. During 2017, the UNOPS e-sourcing system was scaled up to increase efficiency and transparency, generate data for decision-making, and assure consistency and compliance. The system became mandatory for all UNOPS procurement as of 1 January 2018.

71. Several measures were taken to realign headquarters functions in preparation for implementing the strategic plan, 2018-2021, and clearly separating policy and control functions from operations management as part of an improved governance, risk, and compliance framework.

72. UNOPS continued its work with academic institutions and the private sector to help governments improve infrastructure delivery in support of the sustainable development goals, and to adapt to climate change. Support in the adoption of international best practices is offered to through the UNOPS 'Evidence-Based Infrastructure' framework, which evaluates and analyses infrastructure gaps, future infrastructure needs, and the capacities required to deliver sustainable and resilient infrastructure. In 2017, activities under this initiative took place in several small island developing States, as well as in Brazil, Nepal and Serbia.

73. By the end of 2017, the implementation rate of audit recommendations stood at 92 per cent. Twelve of the recommendations had been open for more than 18 months. Details of UNOPS audit and investigations findings in 2017 are available in a dedicated report (DP/OPS/2018/4).

74. In 2017, the Joint Inspection Unit recognized the progress made by UNOPS in managing and implementing its recommendations (JIU/REP/2017/5). Annex 4 contains details.

75. Reflecting its role as a consultative, impartial and service-oriented resource, the UNOPS Ethics Office handled 961 issues from 1 January to 31 December 2017. These are detailed in a dedicated report (DP/OPS/2018/5) presented to the Executive Board at its annual session 2018.

## C. People excellence

76. At the end of 2017, the total number of UNOPS personnel stood at 4,179, up from 4,065 in 2016. In addition to UNOPS personnel, contracts were administered on behalf of a range of partners. At the end of 2017, the total number of individuals on UNOPS contracts stood at 11,428, up from 10,978 in 2016. A breakdown of personnel by contract category is shown in table 2, below.

**Table 2. Number of personnel, by category, as of 31 December 2017**

| Contract modality | Staff | Contractors | Total |
|---|---|---|---|
| UNOPS personnel | 766* | 3,413 | 4,179 |
| Partner personnel | | 7,249 | 7,249 |
| Combined personnel | 766 | 10,662 | 11, 428 |

*Includes partner staff, and staff in organizations where UNOPS is providing secretariat services, who are subject to the same policies and procedures as UNOPS staff.

77. The 487 members of UNOPS personnel recruited in 2017 comprised 201 women and 286 men, meaning 41 per cent of all new hires were women. As of 31 December 2017, the primary internal management body of UNOPS consisted of 16 members – four women and 12 men. Eight members were between the ages of 30 and 50, and eight were 50 or older. Women represented 38 per cent of UNOPS personnel, a slight increase over the 37 per cent recorded in 2016. A breakdown of gender representation is shown in table 3, below.

**Table 3. Gender balance among UNOPS personnel as of 31 December 2017**

| Gender | Staff | Local contractors | International contractors | Total |
|---|---|---|---|---|
| Women | 273 | 1,000 | 332 | 1,605 |
| Men | 493 | 1,578 | 503 | 2,574 |
| All UNOPS personnel | 766 | 2,578 | 835 | 4,179 |

78. A survey of UNOPS personnel revealed engagement levels exceeding internationally recognized benchmarks for high-performing organizations. Out of more than 3,100 responses – a response rate of 82 per cent – 83 per cent were favourable, indicating high levels of engagement and intent to stay.

79. Over the course of 2017, a new learning management system was developed to enhance the management, coordination, monitoring and evaluation of learning activities across the organization.

80. During 2017, UNOPS established a dedicated panel comprised of senior managers across all regions to advise on gender equality in the workforce, covering areas such as recruitment, professional development, inclusive leadership and accountability. Following a consultative process, recommendations from the panel formed the basis of a gender parity strategy to be implemented from 2018. The three goals of the strategy, reflected in the tables below, will be updated annually in reports to the Executive Board.

**Table 4. Gender parity strategy goal 1.**

**Achieve gender parity targets established by the United Nations system-wide strategy**

| Obligation by level | % of women (31 Dec2017) | Total women international staff | Total international staff | Target | Target date |
|---|---|---|---|---|---|
| P1 | | | | | |
| P2 | 44% | 21 | 48 | 47% - 53% | End 2021 |
| P3 | 38% | 70 | 186 | 47% - 53% | End 2021 |

| | | | | | |
|---|---|---|---|---|---|
| P4 | 31% | 41 | 133 | 47% - 53% | End 2026 |
| P5 | 28% | 20 | 71 | 47% - 53% | End 2026 |
| P6, D1 | 27% | 8 | 30 | 47% - 53% | End 2026 |
| D2 | 25% | 4 | 16 | 47% - 53% | End 2026 |

**Table 5. Gender parity strategy goal 2.**

**Equal gender representation targets for UNOPS personnel, irrespective of level**

| Total % of women | Total number of women | Total UNOPS personnel | Target % of women | Target date |
|---|---|---|---|---|
| 38% | 1,605 | 4,179 | 47% - 53% | End 2019 |

**Table 6. Gender parity strategy goal 3.**

**Targets to increase the representation of women at senior levels among international personnel**

| UNOPS personnel by International Civil Service Commission (ICSC) level and respective grades | % of women by grade, as of Dec 31, 2017 | Total number of international women personnel | Total number all international Personnel | Target | Target date |
|---|---|---|---|---|---|
| ICSC 8 (P1 + IICA-1) | 51% | 81 | 158 | 47% - 53% | End 2021 |
| ICSC 9 (P2 + IICA-1) | 49% | 69 | 140 | 47% - 53% | End 2021 |
| ICSC 10 (P3 + IICA-2) | 39% | 216 | 556 | 47% - 53% | End 2021 |
| ICSC 11 (P4 + IICA-3) | 29% | 92 | 312 | 47% - 53% | End 2026 |
| ICSC 12 (P5 + IICA-3 / IICA-4) | 25% | 26 | 105 | 47% - 53% | End 2026 |
| ICSC 13 (P6 + D1 + IICA-4) | 26% | 8 | 31 | 47% - 53% | End 2026 |
| ICSC 14 (D2 + IICA-4 / IICA-5) | 24% | 4 | 17 | 47% - 53% | End 2026 |

81. There was a 24 per cent turnover of UNOPS personnel in 2017, down from the 29 per cent reported in 2016. A breakdown of turnover figures, by age category and gender, is shown in table 7, below:

**Table 7: Turnover among UNOPS personnel, by age category and gender, in 2017**

| Age category | Women | Men | Total |
|---|---|---|---|
| 30 and under | 21% | 22% | 22% |
| 30 to 50 | 20% | 25% | 23% |
| 50 and above | 22% | 29% | 27% |

| | | | |
|---|---|---|---|
| All UNOPS personnel | 21% | 26% | 24% |

82. In 2017, 87 members of UNOPS senior management in countries where the organization maintains physical offices were nationals of the duty station country, representing 17 per cent of the total number of 552. In the previous year, 84 senior managers from a total of 491 were nationals of the duty-station country, representing 18 per cent of the overall total (senior management is defined as ICSC-11 and above). In 2017, 2,676 UNOPS personnel were based in hardship duty stations (locations rated B to E on the International Civil Service Commission hardship scale). Of these, 1,195 members of UNOPS personnel were based in location category 'E'.

83. More than 2,100 colleagues benefited from UNOPS learning opportunities. Eighty-one per cent of participants rated learning opportunities as 'extremely relevant' or 'very relevant' to their work. Forty-six per cent of participants were women, and 85 per cent were based in field locations. To strengthen health and safety capacity, UNOPS provided training in related disciplines for 248 personnel, 64 of whom obtained certifications from the Institution of Occupational Safety and Health. In addition to mandatory courses on gender awareness and the prevention of harassment, sexual harassment, and abuse of authority in the workplace, more than 571 received anti-corruption training.

## D. Financial stewardship

84. During 2017, UNOPS delivered $1.8 billion in project services (against $1.4 billion in 2016). Project-related net revenue was $89.4 million, compared to $86.7 million in 2016. Miscellaneous income earned was $2.4 million (against $2.1 million in the previous year). Management expenses were $67.5 million – compared to $62.3 million a year earlier – representing an increase of 8.3 per cent. However, due to the increase in delivery of project services, the ratio of management expenses to delivery in 2016 dipped to 3.7 per cent. This resulted in a net surplus of income over expenditure, after provisions, of $29 million (compared to $31.3 million in 2016). At year-end 2017, UNOPS continued to maintain its operational reserve above the minimum requirement established by the Executive Board.

85. An actuarial revaluation of UNOPS end-of-service employee liabilities indicated that such liabilities, at year-end 2017, were about $7.9 million higher than the related liabilities at the end of 2016. This comprised an actuarial loss of $3.6 million, and further funding allocated by UNOPS during the year.

86. The expenses, revenue and reserve balance for 2017 are early figures calculated by UNOPS, and may be subject to change. They have yet to be verified and audited by the United Nations Board of Auditors.

United Nations DP/OPS/2018/3

Executive Board of the United Nations Development Programme, the United Nations Population Fund and the United Nations Office for Project Services

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**Internal audit and oversight**

# Activity report for 2017 of the Internal Audit and Investigations Group of the United Nations Office for Project Services

*Summary*

The Director of the Internal Audit and Investigations Group of the United Nations Office for Project Services hereby submits to the Executive Board this activity report on internal audit and investigation services for the year ended 31 December 2017. The response of UNOPS management to this report is presented separately, as per Executive Board decision 2006/13.

*Elements of a decision*

The Executive Board may wish to:

(a) *take note* of the annual report of the Internal Audit and Investigations Group for 2017 and the management response thereto;
(b) *take note* of the progress made in implementation of audit recommendations;
(c) *take note* of the opinion, based on the scope of work undertaken, on the adequacy and effectiveness of the organization's framework of governance, risk management and control (in line with Executive Board decision 2015/13); and
(d) *take note* of the annual report of the Audit Advisory Committee for 2017 (in line with Executive Board decision 2008/37).

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Annexes (*available on the Executive Board website*)

1. Unresolved audit recommendations issued more than 18 months before 31 December 2017
2. Titles of all internal audit reports issued during the year 2017
3. Audit Advisory Committee – annual report 2017
4. Reports issued by the Internal Audit and Investigations Group in 2017 that resulted in findings of misconduct
5. Criteria supporting the audit opinion of the Internal Audit and Investigations Group
6. Key areas for improvement identified in audit reports

# I. Executive summary

1. *Audit opinion.* In the opinion of the Internal Audit and Investigations Group (IAIG), based on the scope of audit and investigations work undertaken in 2017, the adequacy and effectiveness of UNOPS governance, risk management and control were partially satisfactory (major improvement needed), which means that they were generally established and functioning but needed major improvement. Management has taken immediate and commendable action to address the audit opinion, including efforts to strengthen oversight at the local, regional and corporate levels, partly evidenced by a high recommendation implementation rate in 2017.

2. *Output.* In 2017, six auditors delivered 14 internal audit reports (two more than the 12 initially planned) and 31 project audit reports (four more than in 2016). The average time taken for internal audit reports to be issued was within the key performance indicator target of 90 days. The investigations team handled 111 complaints, from which 59 cases were opened (highest IAIG caseload since inception). All cases were closed within 12 months of opening. The group also substantiated $268,507 in fraud, and referred 15 vendors for sanctioning. Audit also referred six issues to investigations for review.

3. *Delivering better for less.* In 2016, the Joint Inspection Unit (JIU) found IAIG has the lowest cost-per-audit-completed in the United Nations system.[1] In 2017, IAIG increased its audit engagement output to 45 engagements (37 in 2016) plus four new data analytics engagements, while keeping overall costs constant. Continued delivery of better assurance for less cost is a key priority for IAIG.

4. *The IAIG role in UNOPS strategy.* IAIG is the third line of defence in UNOPS governance, risk and compliance framework, providing independent assurance of how the organization manages its activities. The group also investigates fraud and misconduct, and provides independent advice to management.

5. *Supporting strategic initiatives.* IAIG conducted four strategic engagements in 2017: a cyber-security assessment of UNOPS procurement platform (e-sourcing and United Nations Web Buy Plus), a vulnerability assessment of critical applications and infrastructure, a review of the Global Shared Services Centre and an assessment of the implementation of recommendations of cyber security, cyber vulnerability and enterprise risk planning fraud risk assessments.

6. *Innovation.* In 2017, IAIG refined its data analytics and continuous auditing algorithms, adding new tests such as duplicate payments, sanctioned vendors, Benford's Law and Accuity™ matching, and designing dynamic visuals for ease of use by practitioners. The group identified $311,188 in payments to sanctioned vendors, $30,144 in duplicate payments and closed over 16,000 inactive or duplicated vendor accounts. The group's vision is to empower the first and second lines of defence to conduct this type of analysis proactively.

7. *Quality.* In 2017, IAIG received the highest rating offered by the Institute of Internal Auditors in an external quality assessment conducted by PricewaterhouseCoopers. IAIG was assessed to "generally conform" to the Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing.

8. *Teamwork.* The IAIG team of professionals was further strengthened in 2017, through the addition of two audit and two investigations professionals.

9. *Collaboration with partners.* UNOPS strengthened its relationships with oversight partners by becoming the first United Nations organization to establish

[1] See the full Joint Inspection Unit report here.

an anti-fraud cooperation memorandum of understanding with the Swedish International Development Cooperation Agency.

## II. Introduction

10. The Internal Audit and Investigations Group is pleased to provide the Executive Board with the annual report on UNOPS internal audit and investigation activities for the year ended 31 December 2017.

11. This report provides the IAIG opinion, based on the scope of work undertaken, and on the adequacy and effectiveness of UNOPS governance, risk management and control processes (Executive Board decision 2015/13).

12. The IAIG Director reports to the Executive Director of UNOPS, supporting her accountability function. IAIG provides assurance, offers advice, recommends improvements and enhances the risk management, control and governance systems of the organization. The group also promotes accountability by conducting investigations into reports of violations of applicable rules, regulations and administrative or policy directives.

13. IAIG continued to interact with the UNOPS Audit Advisory Committee in 2017. In accordance with Executive Board decision 2008/37, the annual report of the Audit Advisory Committee for 2017 is attached as annex three to this report.

## III. Role and functions of the Internal Audit and Investigations Group

14. The mandate, functions and standards for internal audit and investigations within UNOPS are approved by the Executive Director as executive office directive EOD.ED.2017.04, effective March 2017. Per regulations 6.01, IAIG:

> Shall conduct independent, objective assurance and advisory activities in conformity with the International Standards for the Professional Practice of Internal Auditing. It shall evaluate and contribute to the improvement of governance, risk management and control processes, and report thereon. It shall exercise operational independence in the performance of its duties.

15. The international internal auditing standards require that the Chief Audit Executive must report to a level within the organization that allows the internal audit activity to fulfil its responsibilities and must confirm to the Executive Board, at least annually, the organizational independence of the internal audit activity. IAIG hereby confirms its organizational independence. In 2017, IAIG was free from interference in determining its audit scope, performing its work and communicating its results.

16. Per regulation 6.02, in addition to providing internal audit services to UNOPS, IAIG is "responsible for assessing and investigating allegations of fraud and corruption committed by UNOPS personnel or committed by others to the detriment of UNOPS".

17. The mandate, scope, responsibility, accountability and standards of IAIG are further defined in the following: the Internal Audit Charter approved by the Executive Director and issued as operational directive OD.IAIG.2018.02, revised and effective March 2018; and executive office instruction EOI.ED.2018.01, "Organisational Structure".

18. Further, under the UNOPS governance, risk and compliance framework, IAIG assumes the role as third line of defence.

# IV. Approved annual internal audit workplan for 2017

19. The primary aim of the 2017 workplan was to evaluate and improve the effectiveness of risk management, control and governance processes, and to provide the Executive Director with the assurance that internal controls and procedures are functioning as intended.

## A. Risk-based internal audit plan

20. In preparing its 2017 workplan, IAIG has continued to ensure consistency between audit priorities and the goals of UNOPS management. IAIG gathered data from a variety of internal sources and consulted existing components of the risk management system mandated in UNOPS financial regulation 4.01 and financial rules 104.01 and 104.02 to perform this assessment.

21. The 2017 audit workplan, based on the audit risk assessment, acknowledged the geographical diversity of UNOPS operations worldwide and included both internal field office audits and performance audits.

## B. Progress on implementation of annual workplan

22. In 2017, six auditors delivered 14 internal audit reports (two more than the 12 initially planned) and 31 project audit reports (four more than in 2016). The average time taken for reports to be issued was within the key performance indicator target of 90 days. All of the internal audits planned for 2017 were completed and the final reports were issued during the year (see table 1).

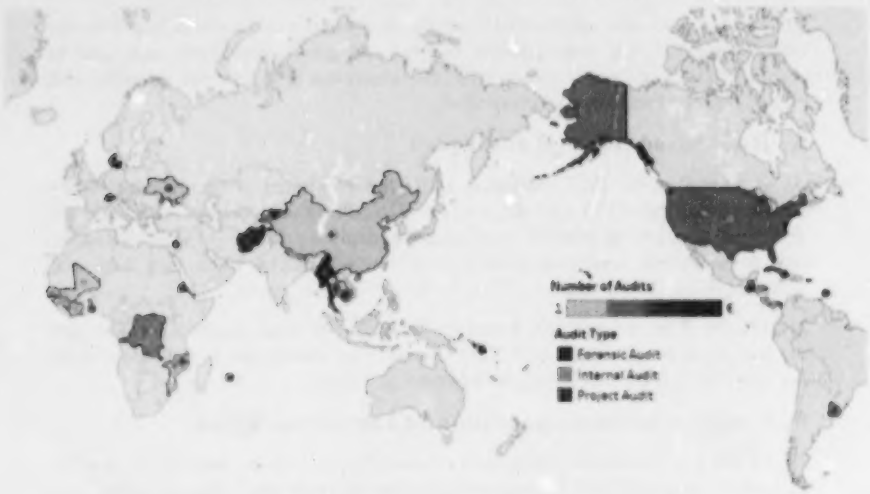
**Table 1. Status of implementation of the workplan as at 31 December 2017**

| | IAIG internal audits | Project audits | Total | Total in 2016 |
|---|---|---|---|---|
| Number of audits planned in 2017 | 12 | 0[2] | 12 | 8 |
| Total audit reports issued | 14 | 31 | 45 | 37 |
| Total audits carried over to 2018 | 0 | 0 | 0 | 0 |

23. Figure 1 below shows the 2017 audit coverage by geographic distribution.

[2] Nil as requests for project audits are client-driven.

**Figure 1. Geographic distribution of audits in 2017**




# V. Highlights of 2017 audit activities

24. As noted in table 1, IAIG issued 45 reports during 2017, compared with 37 in 2016 and 29 in 2015. The number of project audit reports is influenced by client requests and reporting requirements in project agreements. However, IAIG also made a concerted effort to increase its output in 2017.

25. IAIG audits are delivered in two categories:

(a) Internal audits and reviews directly performed by IAIG (14 reports in 2017); and

(b) Project audits conducted under the supervision of IAIG by external auditing firms to fulfil project-reporting requirements (31 reports).

26. The 45 reports issued in 2017 contain 315 audit recommendations. Of these, 200 pertain to internal audits (table 3) and 115 to project audits (table 6).

## A. Internal audits conducted directly by the Internal Audit and Investigations Group

### Internal audit reports issued

27. During 2017, 14 internal audit reports were issued by IAIG to the UNOPS Executive Director, as detailed in table 2.

**Table 2. List of internal audit reports issued by the Internal Audit and Investigations Group in 2017**

| Report title | Rating[3] |
|---|---|
| Internal Audit of Senegal Operational Hub | Partially satisfactory – major improvement needed |
| Internal Audit of Peace and Security Cluster, Cote d'Ivoire | Partially satisfactory – some improvement needed |
| Internal Audit Report of Panama Operational Hub | **Panama Operational Hub:** Partially satisfactory (some improvement needed) **Panama Project Centre**: Partially satisfactory (major improvement needed) **Honduras Project Centre:** Partially satisfactory (some improvement needed) **Costa Rica Project Centre:** Unsatisfactory (ineffective) |
| Internal Audit Report of Nepal Operations Centre | Partially satisfactory – some improvement needed |
| Internal Audit Report of Small Grants Cluster | Partially satisfactory – major improvement needed |
| Internal Audit Report of China Project Centre | Partially satisfactory – some improvement needed |
| Internal Audit of Peace and Security Cluster, Mali | Partially satisfactory – major improvement needed |
| Internal Audit of Democratic Republic of Congo Operational Hub | Unsatisfactory |
| Review of Global Shared Service Centre | N/A |
| UNOPS Peace and Security Cluster Project Cooperation Agreement Modality Review | N/A |
| Vulnerability Assessment – UNOPS Critical Applications and Infrastructure | N/A |
| Review of Peace and Security Cluster Procurement | N/A |
| Cyber Security Assessment of UNOPS Procurement Systems | N/A |
| Follow-up on Implementation of Recommendations for Three Information and Communications Technology Assessments (Cyber Security, OneUNOPS Enterprise resource Planning Fraud Risk and Cyber Vulnerability) | N/A |

**Analysis of internal audit recommendations issued in 2017**

28. The number of internal audit recommendations issued decreased from 207 in 2016 to 200 in 2017, and the average number of recommendations per audit report decreased from 21 in 2016 to 14 in 2017. IAIG continued its commitment to the advice given by the Audit and Advisory Committee to focus on the more significant risks and systemic issues. As such, the number of internal audit recommendations per audit report decreased significantly in 2017.

29. During the year, a further 19 recommendations were raised as a result of investigations. One of these recommendations was closed during the year. A further 21 were closed from previous years.

*Level of importance of audit recommendations related to IAIG audits*

30. Of the 200 recommendations issued, 100 were considered to be of high importance[4] and 100 of medium importance, as shown in table 3. Low priority recommendations are addressed during the field work stage of the audit.

[3] A detailed explanation of audit ratings can be found on the UNOPS external website.

[4] Level of importance:
**High**: action considered imperative to ensure that UNOPS is not exposed to high risks.
**Medium**: action considered necessary to avoid exposure to significant risks.
**Low**: action considered desirable and should result in enhanced control or better value for money.

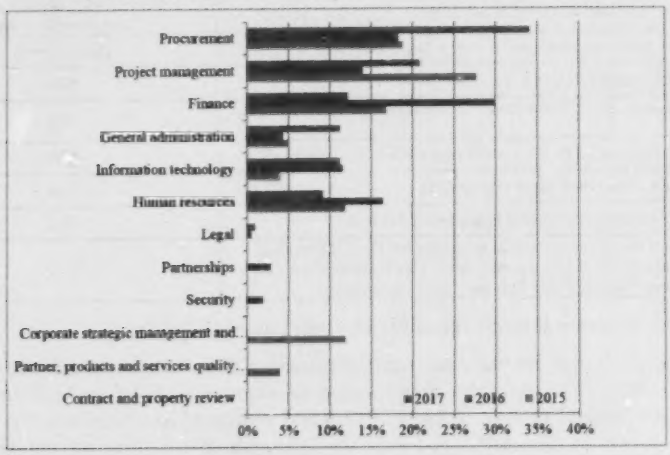
**Table 3. Categorization of audit recommendations by level of importance**

| Level of importance | Number of recommendations | | | Percentage of total | | |
|---|---|---|---|---|---|---|
| | 2015 | 2016 | 2017 | 2015 | 2016 | 2017 |
| High | 44 | 95 | 100 | 44 | 46 | 50 |
| Medium | 57 | 112 | 100 | 56 | 54 | 50 |
| **Total** | **101** | **207** | **200** | **100** | **100** | **100** |

*Frequency of occurrence of audit recommendations by functional area*

31. The frequency of audit recommendations by functional area is displayed in figure 2. Most recommendations pertained to procurement (34 per cent), project management (21 per cent) and finance (12 per cent), followed by general administration (11 per cent), information technology (11 per cent), human resources (9 per cent) and legal (2 per cent). This distribution by functional area was driven by the audit scope as identified in the risk assessment for each engagement.

**Figure 2. Internal audit recommendations by functional area**

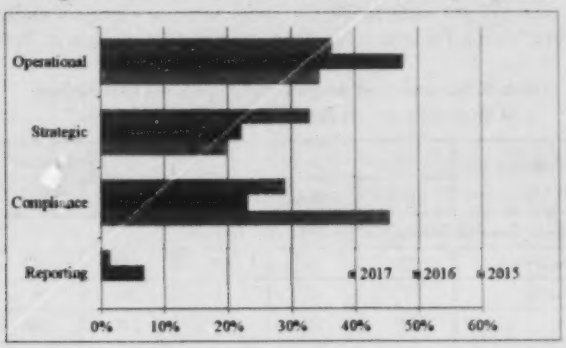



**Key areas of improvement identified in 2017 internal audit reports**

32. Supplementing figure 2, figure 3 shows the number of recommendations by objective type.[5] Recommendations on operational issues (37 per cent) were the most common, followed by those addressing strategic issues (33 per cent), compliance issues (29 per cent) and reporting issues (1 per cent). Key areas for improvement can be found in annex 6 of this report.

[5] As per entity objectives in "Internal Control Integrated Framework" (2013), issued by the Committee of Sponsoring Organizations of the Treadway Commission.

**Figure 3. Recommendations issued in 2017 by objective**




## B. Projects audits

### Single audit principle

33. IAIG upholds the United Nations "single audit principle" as detailed in the UNOPS report on internal audit and oversight in 2007 (DP/2008/21).

34. IAIG provides technical support to project managers in meeting their projects' audit requirements. For that purpose, the group engages pre-qualified third-party professional auditing firms to conduct these audits. The firms adhere to terms of references approved by IAIG and the audit reports they prepare undergo IAIG quality assurance before they are issued.

35. All project audit reports issued in 2017 were provided by one firm with which IAIG has a long-term agreement. This arrangement provides cost efficiencies, consistency in reporting, improved timelines and a simplified process for conducting project audits.

### Internal audit reports issued for projects

36. During the year ended 31 December 2017, 31 audit reports relating to specific projects were issued by IAIG and submitted to the UNOPS Executive Director or Regional Director, depending on the project requirements.

37. As shown in table 4, 24 of the 31 audit reports for projects issued in 2017 provided both an audit opinion on the financial statement of the project and a rating of the internal control environment. Six project audits provided an opinion on the financial statement only and a further one was a forensic audit. This was done in accordance with the requirements of the partner and primary stakeholder(s) concerned.

**Table 4. Number of project audit reports issued, 2015-2017**

| | 2015 | 2016 | 2017 |
|---|---|---|---|
| Audit reports issued expressing an opinion on the financial statement and providing a rating of the internal control environment | 20 | 12 | 24 |
| Audit reports issued expressing an opinion on the financial statement only | 2 | 11 | 6 |
| Audit reports issued expressing an opinion on the internal control environment only | 0 | 2 | 0 |
| Forensic audits | 0 | 2 | 1 |
| **Total** | **22** | **27** | **31** |

38. The proportion of project audits with a "satisfactory" internal control rating was 58 per cent (71 per cent in 2016). There were two project audits with an "unsatisfactory" rating for internal controls, compared with zero in 2016.

**Table 5. Summary of project audit opinions and ratings of internal controls for project audits, 2015-2017**

| Type of opinion or rating | Number of audit reports | | | Percentage of total | | |
|---|---|---|---|---|---|---|
| | 2015 | 2016 | 2017 | 2015 | 2016 | 2017 |
| **Audit opinion on financial statement of project (when required)** | | | | | | |
| Unqualified opinion | 22 | 23 | 27 | 100 | 100 | 90 |
| Qualified opinion | 0 | 0 | 3 | 0 | 0 | 10 |
| **Total** | **22** | **23** | **30** | **100** | **100** | **100** |
| **Rating of overall level of internal control (where given)** | | | | | | |
| Satisfactory | 15 | 10 | 14 | 75 | 71 | 58 |
| Partially satisfactory (some improvement needed) | 0 | 0 | 3 | 25 | 29 | 13 |
| Partially satisfactory (major improvement needed) | 0 | 0 | 0 | 0 | 0 | 0 |
| Partially satisfactory (old rating system) | 5 | 4 | 5 | 0 | 0 | 21 |
| Unsatisfactory | 0 | 0 | 2 | 0 | 0 | 8 |
| **Total** | **20** | **14** | **24** | **100** | **100** | **100** |

### Financial impact of project audit findings in 2017

39. The Executive Board, in its decision 2010/22, requested that information on the financial impact of audit findings be incorporated in future reports. For 2017, the cumulative financial impact of project audit reports with a qualified opinion was $139,315 (zero in 2016). For internal control reports, the financial impact on audit observations was $171,247 ($52,973 in 2016).

### Project audit recommendations issued in 2017

40. The 31 project audit reports issued generated 115 audit recommendations, an average of 3.7 recommendations per report. This average has remained consistently within the range of 2.2 to 3.7 for the past three years. These 115 recommendations are analysed below by importance and frequency of occurrence in a functional area.

*Level of importance of audit recommendations related to project audits*

41. As seen in table 6, the proportion of audit recommendations rated as being of "high importance" remained at 27 per cent.

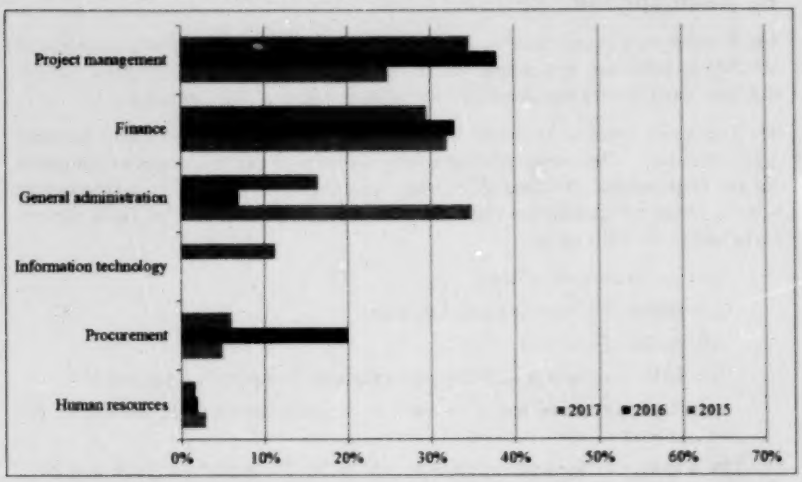
**Table 6. Categorization of project audit recommendations by level of importance**

| Level of importance | Number of recommendations | | | Percentage of total | | |
|---|---|---|---|---|---|---|
| | 2015 | 2016 | 2017 | 2015 | 2016 | 2017 |
| High | 0 | 16 | 31 | 0 | 27 | 27 |
| Medium | 57 | 44 | 84 | 100 | 73 | 73 |
| Low | 0 | 0 | 0 | 0 | 0 | 0 |
| **Total** | **57** | **60** | **115** | **100** | **100** | **100** |

*Frequency of occurrence of project audit recommendations by functional area*

42. The frequency of audit recommendations by functional area, displayed in figure 4, shows that in 2017 most recommendations pertained to project management (36 per cent), finance (29 per cent) and general administration (17 per cent). These areas were considered "high risk", for which audit focus was directed in 2017. See annex 6 for key areas for improvement.

**Figure 4. Project audit recommendations by functional area**




## C. Improvements to the UNOPS internal control system

43. Management has taken immediate and commendable action to address the audit findings conveyed during 2017. During the year, UNOPS management and IAIG worked together to ensure the implementation of internal audit recommendations and to incorporate these results into performance data for various UNOPS departments. By using these performance data, management was able to resolve issues and identify additional risks, thereby safeguarding the effectiveness of the UNOPS internal control framework. The overall implementation rate of internal audit recommendations issued from 2008 to 2017 was 92 per cent. An additional 12 recommendations, which are more than 18 months old, remain open. This has been considered as part of the IAIG overall audit rating in annex 5.

44. UNOPS operationalized its governance, risk and compliance framework, a process of simplifying its internal policy instruments and enhancing their alignment with business processes.

45. UNOPS refined its global organizational structure. Its global portfolio of projects was organized under five geographical regions managing several country and multi-country offices. Now, all global projects are embedded within one structure, which enables improved management oversight, coordination and integration of in-country operations. The Finance Group assumed overall responsibility for enterprise risk management.

46. UNOPS is committed to organizational excellence, accountability and transparency, and continuously seeks to improve its internal governance and operations. UNOPS also maintained the ISO 9001, ISO 14001 and OHSAS 18001 certifications, as part of its commitment to excellence and the implementation of best practice. OneUNOPS provides an advanced platform for customizing

operational tools and guidance for personnel and management information to ensure speed and compliance.

47. Advanced dashboards, many of which have been developed by IAIG as part of its data analytics programme, have improved internal transparency, managerial oversight and assurance that UNOPS operations are performed efficiently and in compliance with policy. They have also identified where improvements in policy, tools, competencies or resourcing are needed.

### D. Audit opinion

48. Management is responsible for maintaining the adequacy and effectiveness of UNOPS governance, risk management and control. IAIG has the responsibility to independently assess the adequacy and effectiveness of the framework.

49. The audit opinion is based on the audit reports issued by IAIG between 1 January and 31 December 2017 in conformance with the International Standards for the Professional Practice of Internal Auditing. The opinion is supplemented with a range of qualitative data as described in annex 5. The audit reports pertained to the following:

(a) audits of field offices;

(b) audits of cross-functional themes;

(c) audits of projects;

(d) IAIG continuous auditing and data analytics programme; and

(e) implementation status of audit recommendations as at the end of the calendar year.

50. The majority of the audit reports issued in 2017 covered the 2016 and 2017 activities of UNOPS. A concise summary of the audit work that supports the opinion is included in parts A and B of this section of this report.

51. In the opinion of IAIG, based on the scope of audit and investigations work undertaken, the adequacy and effectiveness of UNOPS governance, risk management and control were partially satisfactory (major improvement needed). This means that they were generally established and functioning but needed major improvement. The implementation ratio of audit recommendations as per 31 December 2017 is 92 per cent (down from 93 per cent in 2016), which implies that, in general, appropriate and timely action is taken, as and when improvements in governance, risk management and control are necessary. See annex 5 of this report for the audit opinion rationale.

## VI. UNOPS accountability framework

52. In accordance with the UNOPS accountability framework and oversight policies, the IAIG Director reports to the Executive Board on the resources available and required for the implementation of the accountability framework.

53. The pillars of the UNOPS accountability framework and oversight policies that are internal to the organization include: IAIG, the Audit and Advisory Committee, the Ethics Officer, the Office of the General Counsel Appointment and Selections Panel, the Appointment and Selections Board, the Headquarters Contracts and Property Committee, the balanced scorecard system and the implementation of UNOPS organizational directives and administrative instructions.

54. The pillars of the UNOPS accountability framework and oversight policies that are external to the organization include: the Executive Board, the United Nations Board of Auditors, the Joint Inspection Unit, the Advisory Committee on Administrative and Budgetary Questions, and the Fifth Committee of the General Assembly.

## VII. Disclosure of internal audit reports

55. IAIG complies with Executive Board decisions 2008/37 and 2012/18 and the procedures approved therein regarding disclosure of internal audit reports. IAIG experience with the public disclosure of audit reports continues to be positive, leading to enhanced transparency, accountability, timely action and quality assurance.

56. Accordingly, IAIG has published, on the UNOPS public website, executive summaries of internal audit reports issued after 30 June 2012 and the complete internal audit reports issued after 1 December 2012. Furthermore, since November 2011 all functional and thematic audit reports, as well as the list of all audit reports issued since 2008, have been posted on the UNOPS public website, except when withheld for confidentiality reasons, on an exceptional basis.

## VIII. Advisory services

57. At the request of management, IAIG provides internal advisory services that cover a variety of issues relating to UNOPS internal controls, policies and organizational directives, business processes, proposed project agreements and other specific concerns. In accordance with Institute of Internal Auditors standards, IAIG acts only in an advisory capacity and does not participate in the implementation of any procedure.

58. IAIG developed continuous auditing and data analytics techniques, providing periodic reports to management. Furthermore, the group advised management on the governance, risk and compliance framework and the enhancements of the enterprise resource planning system introduced in 2016 and continuous monitoring tests to be included in the configuration. IAIG assessed the vulnerability of UNOPS critical applications and infrastructure, along with the cyber security of UNOPS procurement systems, by conducting a comprehensive review of these functions. IAG also advised on a vendor database clean-up exercise. IAIG continued to conduct internal compliance evaluations, required to maintain UNOPS ISO 9001, ISO 14001 and OHSAS 18001 certifications.

## IX. Investigations

59. IAIG is the sole entity in UNOPS responsible for conducting investigations into allegations of fraud, corruption, abuse of authority, workplace harassment, sexual exploitation, retaliation and other acts of misconduct.

60. In 2017, IAIG handled a higher volume of investigations and closed 20 per cent more cases than in 2016. IAIG nonetheless completed these cases more quickly than in the previous years. The average time taken in 2017 to close cases was 27 per cent shorter than in 2016 (4.8 months compared to 6.6 months). At the end of 2017, only three cases had been opened for more than six months compared to six cases at the end of 2016.

61. Further to IAIG focus on cases involving fraud and financial irregularities, UNOPS recovered $136,149 of misappropriated funds based on investigations that IAIG completed in 2017. IAIG also referred 34 employees and 25 vendors for disciplinary action or sanction.

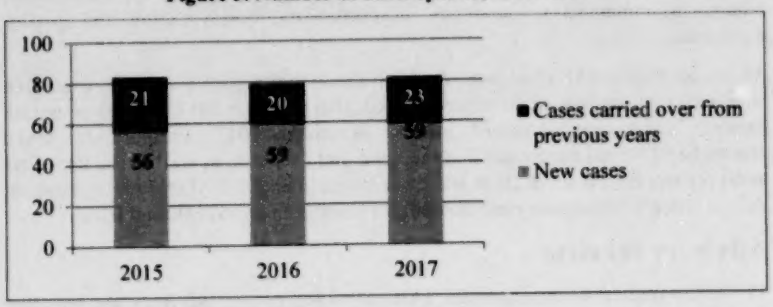
### A. Complaint intake

62. In 2017, IAIG received 111 complaints, a slight increase compared to 2016 (104 complaints). IAIG opened 59 cases based on these complaints, the same number as in 2016. The remainder (52) were found to be outside the IAIG mandate or could be more appropriately handled by a different unit.

*Cases opened*

63. In addition to the 59 cases opened in 2017, a further 23 cases were carried over into 2017 (figure 5).

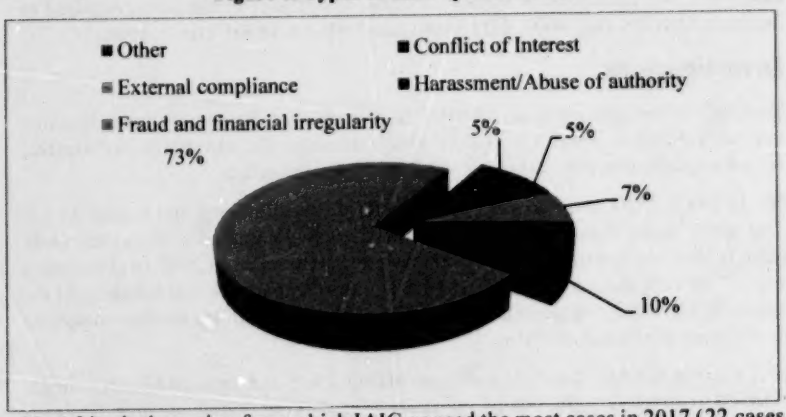
**Figure 5. Number of cases opened, 2015-2017**




64. Of the 59 cases opened in 2017, 47 per cent were referred by management or personnel; 34 per cent via other means (external entities such as the medical insurance provider); 14 per cent through the UNOPS fraud or harassment hotlines, while the remaining 5 per cent originated from IAIG audits.

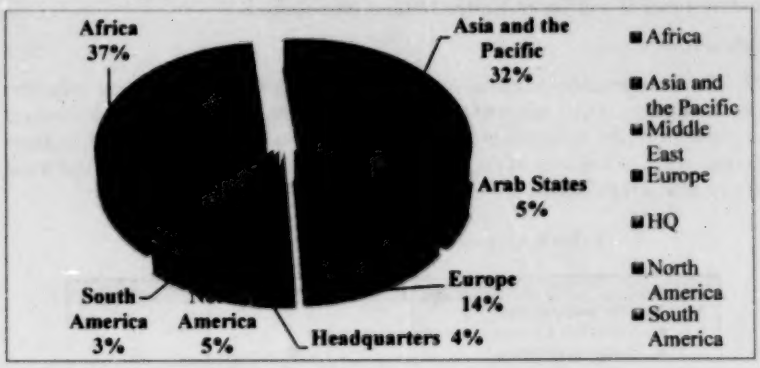
65. The majority of cases opened in 2017 (43 cases or 73 per cent) involved some type of alleged fraud or financial irregularities (procurement fraud, entitlement fraud, theft, embezzlement or misuse of UNOPS resources). The remainder involved other types of misconduct: harassment and/or abuse of authority cases (six cases); external compliance (medical insurance fraud and violation of local laws) (four cases); conflicts of interest (three cases); and other types, such as misuse of UNOPS assets (three cases).

**Figure 6. Types of cases opened in 2017**




66. Africa is the region from which IAIG opened the most cases in 2017 (22 cases or 37 per cent), followed by Asia and the Pacific (18 cases or 32 per cent), and Europe and the Commonwealth of Independent States (eight cases or 14 per cent). IAIG also opened three cases in the Arab States, three cases in North America, two cases in Latin America and the Caribbean, and two cases at headquarters.

**Figure 7. Geographic distribution of cases opened in 2017**




## B. Outcome of investigations

67. When a complaint is received, IAIG conducts an initial review to determine whether the allegations fall within its mandate and jurisdiction. If it does, IAIG then conducts either a preliminary assessment or an investigation, depending on several factors, such as the sufficiency of the evidence or seriousness of allegations.

68. If the allegations against a UNOPS personnel member are substantiated, IAIG refers the case to the Human Resources Legal Officer for disciplinary action in accordance with organizational directive 36.[6] If the case involves a UNOPS vendor, the matter is referred to the Vendor Review Committee pursuant to organizational instruction PG/2017/02. Retaliation cases are referred to the Ethics Officer under organizational instruction Ethics/2018/01.

69. In 2017, IAIG closed 67 cases, a 20 per cent increase from 2016 when it closed 56 cases. Table 7 shows the number of cases opened and closed in 2017.

**Table 7. Investigation caseload in 2017**

| | Number of cases | Per cent |
|---|---|---|
| **Caseload in 2017** | | |
| • Cases carried over from previous years | 23 | 28 |
| • Cases received in 2017 | 59 | 72 |
| **Total** | **82** | **100** |
| **Cases closed in 2017** | **67** | **82** |
| **Cases carried over to 2018** | **15** | **18** |

70. IAIG investigated and completed its cases more quickly in 2017, due in part to the continued emphasis on triaging, which allowed IAIG to focus on the most serious cases. The average time for IAIG to complete a case in 2017 was 4.8 months compared to 6.6 months in 2016. As of 31 December 2017, IAIG had only three cases that had been open for more than six months and no case older than 12 months. In comparison, on 31 December 2016, IAIG had six cases that had been open for more than six months.

71. Thirty-four of the 67 cases that IAIG closed in 2017 (51 per cent) were substantiated. In 31 cases (46 per cent), IAIG concluded that the allegations were not substantiated. The allegations in the remaining two cases were found to be

[6] In 2018, UNOPS will replace organizational directive 36 with operational instruction IAIG/2018/01 on investigations and measures relating to allegations against UNOPS personnel.

outside the UNOPS mandate. IAIG thus referred one case to national authorities and the other to a different United Nations organization.

*Substantiated cases*

72. The 34 substantiated cases (refer annex 4) involved 34 personnel members and 25 vendors. IAIG referred the personnel members to the Human Resources Legal Officer for disciplinary action and the vendors to the Vendor Sanctions Committee. The majority of the cases where misconduct was found involved fraud or financial irregularities (29 cases).

**Table 8. Outcome of investigation cases in 2017**

| Outcome | Count |
|---|---|
| **A. Cases not substantiated** | |
| • After initial review or preliminary assessment | 21 |
| • After investigation | 10 |
| **Subtotal** | **31** |
| **B. Cases outside UNOPS mandate** | **2** |
| **C. Cases substantiated** | **34** |
| **Total** | **67** |

*Financial losses and recovery thereof*

73. The total financial loss that was substantiated in investigation cases by IAIG in 2017 amounted to $297,218, of which $268,507 was in fraud and $28,711 in misuse of assets.[7] This amounts to less than 0.1 per cent of UNOPS total annual resources. IAIG referred this loss to management for recovery, and management recovered $136,149.

*Management letters*

74. In 2017, IAIG issued 18 management letters to relevant business units to address weaknesses in internal controls, as identified by investigators. This was an increase from 2016 when IAIG had issued 10 such letters. They covered a wide range of topics, such as strengthening controls in the vendor registration process to prevent fraud through identity theft. IAIG uses the audit recommendations tracking tool to ensure that all recommendations given in these letters are properly addressed in a timely manner.

*Action taken in cases of misconduct (2017)*

75. Based on 19 substantiated cases involving 34 personnel members that IAIG referred to the Human Resource Legal Officer in 2017:

(a) Five individuals were disciplined. Two were demoted and three had their contracts terminated.

(b) Eleven individuals separated from UNOPS before the investigation was completed and four separated after IAIG referred the case to the Human Resource Legal Officer. Letters were placed in their files indicating that they would have been charged with misconduct had they remained employed with the organization.

(c) The cases for 14 individuals were pending at the end of 2017.

76. In two cases, IAIG found misconduct involving employees who had left UNOPS and had started working for another United Nations organization. In

[7] In the two cases involving misuse of assets, there was not clear, convincing evidence of intentional misconduct. These cases are therefore not reflected in annex 4 of this report. Nonetheless, IAIG referred these cases to management to recover the financial loss of $28,711.

addition to placing a letter in their file, UNOPS referred the investigation reports to the other organization for appropriate action.

*Action taken in cases of misconduct (prior cases)*

77. UNOPS also addressed matters against 12 individuals whose cases originated prior to 2017. Two individuals were terminated and one was demoted. The remaining nine individuals had left the organization. Hence, UNOPS placed notes in their files indicating that they would have been charged with misconduct had they remained employed with the organization.

*Vendor sanctions*

78. IAIG referred 15 cases involving 25 vendors and 13 principals to the Vendor Review Committee in 2017. The Vendor Review Committee took action in seven of the 15 cases. As a result, UNOPS debarred two vendors for three years, three vendors and one principal for five years, four vendors for seven years and one vendor permanently. The committee also censured three other vendors.[8] The other seven cases remained under review by the committee at the end of 2017.

79. In addition, the Vendor Review Committee took actions in eight cases that originated prior to 2017. In these cases, UNOPS debarred nine vendors for three years, nine vendors and eight principals for five years, five vendors and five vendors for six years, and four vendors and one principal for seven years.

80. To date, UNOPS has sanctioned 102 vendors and company principals based on IAIG findings. More details, including all UNOPS entries to the United Nations ineligibility list, are publicly available on the UNOPS website.[9]

81. The IAIG continuous auditing and data analytics program crosschecks sanctioned personnel and vendors against transactions as a prevention mechanism.

## C. Strengthening the investigative capacity

82. In 2017, IAIG had four dedicated professionals, who were supported by an investigative assistant. It also recruited an additional person to assist with legal quality assurance of investigation reports. IAIG continued to rely upon consultants for additional support.

83. IAIG used the services of a company with which it has a long-term agreement to perform its forensic computer services. IAIG also assessed eDiscovery tools available to conduct internally a portion of the forensic analysis needed for its investigations. In this regard, IAIG is in the process of procuring a tool that will increase the efficiency of investigators in their review of data.

84. IAIG continues to focus its limited resources on serious cases and refers less serious matters to the appropriate offices. For instance, IAIG has continued to work closely with senior managers, who may undertake initial reviews of allegations on its behalf. IAIG has also worked with the People and Change Group on cases of harassment and abuse of authority. In this regard, the People and Change Group in 2017 created the Network of Peers to conduct preliminary assessments on such allegations. This network is composed of employees who received dedicated training on this topic. Their role is to advise the Director of the People and Change Group on appropriate actions and, where possible, to offer mediation to involved parties to diffuse any conflict.

[8] The censures do not affect their eligibility to do business with UNOPS or the United Nations, but they would be considered an aggravating factor in any future proceeding. UNOPS Operational Instruction PG.2017.02 on Vendor Sanctions, Section 6.1.1.

### D. Fraud prevention

*Training*

85. IAIG recognizes the high-risk environments in which UNOPS operates and is committed to strengthening preventative measures, particularly in the field of fraud. In 2013, UNOPS introduced a 'standards of conduct' workshop for its personnel. The objectives are to proactively raise the awareness of UNOPS employees on the importance of operating in line with the highest ethical standards, aligning the work UNOPS does with the UNOPS vision, mission and values, as well as training personnel to spot potential issues and know how to report them. IAIG also conducts a session on ethics and integrity in project management at every project management foundation course, which is held quarterly. In 2017, IAIG trained 101 personnel in these workshops.

86. IAIG also worked with the Procurement Group to develop training on ethics and fraud prevention in procurement. The objective of this online course is to raise awareness on fraud risks in procurement and gives personnel the tools to identify potential red flags. It will be available to all personnel from January 2018 and is mandatory for all personnel with key roles in procurement.

87. During 2017, IAIG also supported the Global Shared Services Centre in Bangkok to verify all separating personnel members during exit procedures, ensuring that there are no outstanding issues concerning them.

*Integrity, ethics and anti-fraud survey*

88. The organization is committed to deterring, detecting and preventing fraud and other misconduct in the performance of its mission and in the conduct of its operations. Therefore, in collaboration with the Ethics Office, IAIG issued its sixth annual confidential survey regarding integrity, ethics and anti-fraud. The survey was conducted by an external consultant on behalf of IAIG. It was issued in three languages: English, French and Spanish. The United Nations Board of Auditors has recognized it as a good practice, and noted that UNOPS is the only United Nations organization that conducts this type of annual survey.

89. In 2017, 61 per cent of UNOPS-supervised personnel participated in the survey, which is higher than the previous year's response rate of 41 per cent. The survey provided valuable insight into areas of susceptibility to fraud, employees' concerns and the effectiveness of deterrence programmes and mechanisms for addressing issues. The results of the survey will be incorporated into the planning of future activities, such as training and other preventative measures.

## X. Summary of follow-up of internal audit recommendations

### A. Implementation of audit recommendations issued in 2017 and prior years

90. In line with the International Professional Practices Framework for Internal Auditing, the IAIG annual workplan included follow-up and monitoring activities to ensure that management actions have been effectively implemented. IAIG also tracks recommendations resulting from investigations.

91. Table 9 shows the outcome for all audit recommendations issued between 2008 and 2017. Of the audit recommendations issued in or prior to 2015, 99.7 per cent were implemented. The overall implementation rate of audit recommendations at 31 December 2017 was 92 per cent, which, although marginally lower than the 2016 rate of 93 per cent, demonstrates high management responsiveness. This is especially true given the increase in the number of recommendations issued in 2016 (267 recommendations) and 2017

(299 recommendations), compared to the 150 or so recommendations issued in 2015 and previous years.

### B. Recommendations unresolved for 18 months or more

92. Owing to continuous efforts by management, the number of audit recommendations issued more than 18 months before 31 December 2017 (on or before 30 June 2016) that remained unresolved was 12 (3 per cent), of a total of 357 outstanding recommendations. This is to be compared with the figure for the end of 2016, when two (0.6 per cent) of 308 recommendations were outstanding. All recommendations reported as outstanding for more than 18 months in last year's annual report have now been closed. Details are provided in annex 1.

**Table 9. Status of implementation of audit recommendations issued before 31 December 2017**

| | 2008-2015 | 2016 | | | 2017 | | | Total for 2008-2017 |
|---|---|---|---|---|---|---|---|---|
| Number of audit recommendations | Total | IAIG audit | Project audit | Total | IAIG audit | Project audit | Total | Total |
| Implemented/closed | 3,935 | 159 | 53 | 212 | 12 | 12 | 24 | 4,171 |
| *as a percentage* | *99.72%* | *77%* | *88%* | *79%* | *6%* | *10%* | *8%* | *92%* |
| Under implementation | 11 | 48 | 7 | 55 | 188 | 103 | 291 | 357 |
| *as a percentage* | *0.28%* | *23%* | *12%* | *21%* | *94%* | *90%* | *92%* | *8%* |
| Total | 3,946 | 207 | 60 | 267 | 200 | 115 | 315 | 4,528 |

## XI. Operational issues

### A. Resources

93. During 2017, the internal audit section consisted of one manager of the audit section (P5), two internal auditors (P4 and P3), three audit specialists (I-ICA 2[10]), one data analytics associate (L-ICA 6[11]) and one audit assistant (L-ICA 4). The Director of IAIG (D1) provides general direction and support to the section. IAIG is pleased to confirm its recruitment of a data analytics associate (L-ICA 5) in May 2017.

94. The investigations section is composed of one manager (P5), one investigator (P3), three investigations specialists (two I-ICA 2 and one I-ICA 1) and one investigative assistant (L-ICA 5).

95. The total budget for IAIG in 2018 is $3.036 million ($2.9 million in 2017), with $1.837 million ($1.565 million in 2017) allocated to audit activities and $1.199 million ($1.335 million in 2017) allocated to investigative activities. The increase in total budget relates to the addition of a Copenhagen-based auditor position (I-ICA 3).

96. In 2016, the JIU found that IAIG has the lowest cost-per-audit-completed in the United Nations system.[12] Since then, IAIG has increased its audit engagement output and number of personnel, while keeping overall costs constant. IAIG

[10] I-ICA: International Individual Contractor Agreement.

[11] L-ICA: Local International Contractor Agreement.

[12] See the full Joint Inspection Unit report here.

continues to make delivering better assurance for less cost a key priority in line with UNOPS goal of operational efficiency.

97. The IAIG internal structure is supplemented by the engagement of third party professional firms and individual consultants. IAIG continued to retain a part-time editor for quality assurance of internal audit reports.

## B. Involvement with professional bodies and other groups

98. IAIG continued its involvement with the Representatives of Internal Audit Services of the United Nations Organizations (UN-RIAS) and Representatives of the Internal Investigations Services of the United Nations Organizations (UN-RIIS), coordinating internal audit and investigative activities among United Nations organizations, both in the quarterly virtual meetings as well as the annual face-to-face meeting.

99. As in previous years, IAIG coordinated its workplan with the United Nations Board of Auditors. Audit recommendations, audit results, and the final audit reports, together with management responses, were continually shared with the United Nations Board of Auditors.

100. IAIG continued in 2017 to work closely with the Joint Inspection Unit in order to strengthen internal oversight within UNOPS. IAIG participated in the networking group of the Heads of Internal Audit of International Organizations in Europe in April 2017 and participated in the annual Conference of International Investigators in September 2017.

101. In October 2017, UNOPS/IAIG was the first United Nations organization to sign a memorandum of understanding with the Swedish International Development Cooperation Agency (SIDA). IAIG has signed cooperation agreements with 12 significant UNOPS partners. These memoranda of understanding help strengthen the confidence clients have in UNOPS. They also serve as a strong assurance-building tool for field colleagues who are negotiating for client funds.

102. IAIG continued its law enforcement and government partnership with the Association of Certified Fraud Examiners (ACFE). UNOPS was the first United Nations organization to obtain this membership, which will help to raise UNOPS standard of practice and recognition among other United Nations organizations.

103. In 2017, IAIG continued its formal relationship with the Institute of Internal Auditors, to whose international professional practices framework it adheres and of which all IAIG auditors are members. Auditors also met their continuing professional education requirements and maintained their respective audit and accounting designations and memberships.

104. In 2018, IAIG will undertake a review of the UNOPS anti-bribery management system under ISO 37001. If successful, UNOPS would be the first United Nations organization to secure it.

## C. Strengthening the audit function

105. IAIG works to continuously improve its professional practices, internal policies and procedures to remain relevant and current. IAIG has also expanded use of its online work planning and resource allocation tool (Wrike™), which has significantly improved productivity and information flow.

106. Throughout 2017, IAIG has undertaken new and continuous improvement initiatives, such as the use of data analytics, auditing for fraud and supporting the governance, risk and compliance framework initiative.

## D. Data analytics and continuous audit

107. In late 2016, IAIG started using data analytics to proactively monitor risks and issues, and to prevent and detect possible fraudulent and anomalous transactions. This initiative addresses requests from the Executive Board and Audit Advisory Committee that IAIG boost proactive audit and investigation efforts.

108. IAIG developed a dashboard and exception reports in UNOPS enterprise resource planning system (oneUNOPS) to enable continuous auditing, and to communicate anomalies to management so that corrective action can be taken. In 2017, IAIG issued three quarterly reports on its findings identified through the use of data analytics.

109. The dashboards show the results of a range of algorithms that IAIG developed to identify issues such as duplicate payments, sanctioned vendors, over-spent projects and analysis of Benford's law. Another test compares vendor transaction data to the Accuity database.

110. On 1 May 2017, IAIG appointed a full-time data analytics person who is responsible for continuous auditing and fraud detection and prevention.

111. While no fraud was identified, the data analytics person found the vendor management process is prone to serious risks and lapses in controls. These issues have been referred to management for action. IAIG identified the clean up of the oneUNOPS vendor database as a key priority and undertook a vendor clean-up review in the second quarter of 2017. The clean up has progressed well and the active vendor database has been reduced from over 61,000 active vendors to fewer than 45,000. Some of the key findings are as follows:

(a) *Duplicate vendors*: 2,884 profiles with duplicate emails, 781 profiles with duplicate phone numbers and 474 profiles with duplicate street addresses.

(b) *Non-standard banking details*: 2,105 bank accounts were found to be invalid (e.g. blank entries, zeroes, no swift code, no clearing code, or no IBAN), and still require further review before being actioned.

(c) *Non-standard contact details of vendors*: 8,914 vendor profiles were found not to have a street address, 8,862 vendor profiles did not have email addresses (this is a mandatory field for all vendor approvals), 4,206 vendor profiles did not have a telephone number associated with the vendor and 103 vendors had duplicate addresses (same vendor, same type of address and address).

(d) *Personnel names and nationalities matching with other vendor types*: 66 personnel were found whose names and nationalities matched with another vendor.

(e) Since integration of United Nations Global Marketplace (UNGM) with oneUNOPS is still not in place, UNOPS found itself transacting with three sanctioned vendors for $311,188 in 2017. Furthermore, six duplicate payments amounting to $30,144 were identified and referred to management for recovery.

(f) Sixty-four projects were not financially closed within 18 months of being operationally closed. The delay in project financial closure ranges from one to 69 months after operational closure.

112. In 2018, IAIG will undergo an external assessment of its data analytics initiative. The aim is to enable IAIG to be proactive in fraud detection and prevention and to perform faster, cheaper and better audits in an innovative manner.

## E. Fraud topics

113. IAIG, together with other United Nations organizations, has identified the need to review how fraud is approached as part of its internal audit assignments. This was echoed by the representatives of Internal Audit Services of the United Nations Organizations. In 2017, IAIG audits included a fraud risk focus in each internal audit engagement. In 2017, specific anti-fraud audit programmes with targeted fraud detection audit procedures were prepared, and covered the following focus areas: project management, procurement and contract management, human resource management, finance, asset management, travel and inventory. The data analytics work described above is also directed at fraud detection and prevention.

114. As a result of this new approach, during 2017 internal audit engagements, six cases of presumptive fraud were referred to the IAIG Investigations Section for further scrutiny.

## F. Governance, risk management and compliance framework

115. UNOPS has continued to progress in 2017 with its implementation of the governance, risk and compliance framework, the objective of which is to increase UNOPS capacity to "reliably achieve our objectives, while addressing uncertainty and acting with integrity", and to support required behavioural changes to better implement UNOPS activities.

116. The framework introduces a "three lines of defence" model that helps ensure that the organizational structure best supports and facilitates compliance. IAIG, as the independent internal assurance provider, is the third line of defence.

117. In 2017, IAIG supported the governance, risk and compliance framework through four key avenues to:

(a) confirm the implementation of recommendations for three information and communications assessments (cyber security, oneUNOPS enterprise resource planning fraud risk, and cyber vulnerability);

(b) improve the embedding of manual processes into oneUNOPS, the need for which became evident through the IAIG review of the Global Shared Service Centre in Bangkok in May 2017;

(c) build on the implementation of the IAIG continuous reporting tool in oneUNOPS, and act as an incubator for monitoring tests which can be handed over to second line of defence units (for example, the Finance Group and the headquarters Contracts and Property Committee); and

(d) continue to provide support and insight to the Legislative Framework Committee. The Director, IAIG, is an ex-officio member of the committee.

118. As the Governance, Risk Management and Compliance framework takes traction, IAIG will explore how its risk assessment methodology can be informed by this framework.

## G. Key issues identified based on new IAIG initiatives

119. During 2017, owing to robust audit efforts, including its enhanced audit programme, IAIG identified material audit issues that were referred to management for action. As of yet, no fraud has been identified. The issues included:

(a) Overspent projects in excess of $0.63 million, which may result in write-offs from operational reserves;

(b) Transfers between projects amounting to $587,854. Project funds were transferred from one project to another due to a lack of available funds in the

latter project. Offices concerned did not receive prior approval for the transfer from the funding source;

(c) Late receipting led to an understatement of recorded project delivery for 2016 by $87,000 and an overstatement of the same amount in 2017. Late receipting resulted in an understatement of recorded project delivery for 2015 by $3.2 million (same amount overstated in 2016);

(d) Transactions amounting to $1,516,762 were approved by an official with a level 1 delegation of authority, when it should have been approved by an official with at least a level 2 delegation of authority;

(e) IAIG identified $3.9 million of purchase orders that were created after receipt of the goods or services.

(f) Recurrent errors in accounting records, such as the use of incorrect expense accounts amounting to $2.1 million;

(g) Payments amounting to $121,611 were not supported by adequate documentation, which meant it was not possible to link these costs to programme activities, or to check that they have been correctly incurred;

(h) IAIG identified cost savings of $72,000 that would have been realized if competition and value for money had been maximized for a certain procurement transaction. In addition, $9,265 was recovered from personnel for personal usage of official vehicles, after being flagged by IAIG; and

(i) Non-compliance with travel policy resulted in a financial loss of $32,538. This related to personnel undertaking business class travel without entitlement, and incorrect calculation of daily subsistence allowances.

### H. External quality assessment

120. With a view to improving its internal audit function, IAIG internal audit activity underwent an external quality assessment in 2017, performed by PricewaterhouseCoopers. The Institute of Internal Auditors Standards require external assessments to be conducted once every five years. IAIG internal audit activity was assessed to "generally conform" to the standards, and to be in compliance with the institute's code of ethics. This is the highest rating offered by the Institute of Internal Auditors Standards. The last such external assessment was conducted in September 2012. An external peer review of the investigations function was conducted in 2015.

## XII. Audit Advisory Committee

121. During 2017, the Audit Advisory Committee continued to review the annual workplan, the quality assurance and improvement programme, the budget, regular progress reports, final audit reports and annual report of IAIG, and to provide advice on increasing the effectiveness of the internal audit and investigation functions. The Audit Advisory Committee annual report for 2017 is included in annex 3.

United Nations DP/OPS/2018/4

Executive Board of the United Nations Development Programme, the United Nations Population Fund and the United Nations Office for Project Services

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**Reports of UNDP, UNFPA and UNOPS ethics offices**

# Activities of the UNOPS Ethics Office in 2017

## Report of the Ethics Office

*Summary*

The UNOPS Ethics Officer provides the present report annually to the Executive Director. The report is submitted to the Executive Board at its annual sessions, pursuant to Board decision 2010/17.

The Ethics Panel of the United Nations has reviewed the report, in accordance with section 5.4 of the document, United Nations system-wide application of ethics: separately administered organs and programmes (ST/SGB/2007/11, as amended). The UNOPS Audit Advisory Committee has also reviewed the report.

The report covers the period from 1 January to 31 December 2017.

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# I. Introduction

1. The present report, the ninth since the establishment of the Ethics Office as a separate entity in UNOPS at the end of January 2009, is submitted annually to the Executive Director of UNOPS and the Executive Board of UNDP, UNFPA and UNOPS.

2. In accordance with the mandate of the Ethics Office to promote the highest standards of integrity and to foster a culture of ethics, transparency and accountability within UNOPS, the present report provides an overview and assessment of the work of the Ethics Office in relation to its areas of responsibility over the reporting period, 1 January to 31 December 2017.

# II. Background and general information

3. The Ethics Office was established as an independent office within UNOPS pursuant to the Secretary-General's bulletin (ST/SGB/2007/11, as amended).

4. The main responsibilities of the Ethics Office include:

(a) administering the UNOPS financial disclosure programme;

(b) undertaking the responsibilities assigned to it under the UNOPS policy for the protection of personnel (engaged under both staff and non-staff contract modalities) against retaliation for reporting misconduct and for cooperating with duly authorized audits or investigations;

(c) developing standards, training and education on ethics issues, in coordination with other units within UNOPS as appropriate, and conducting ethics outreach;

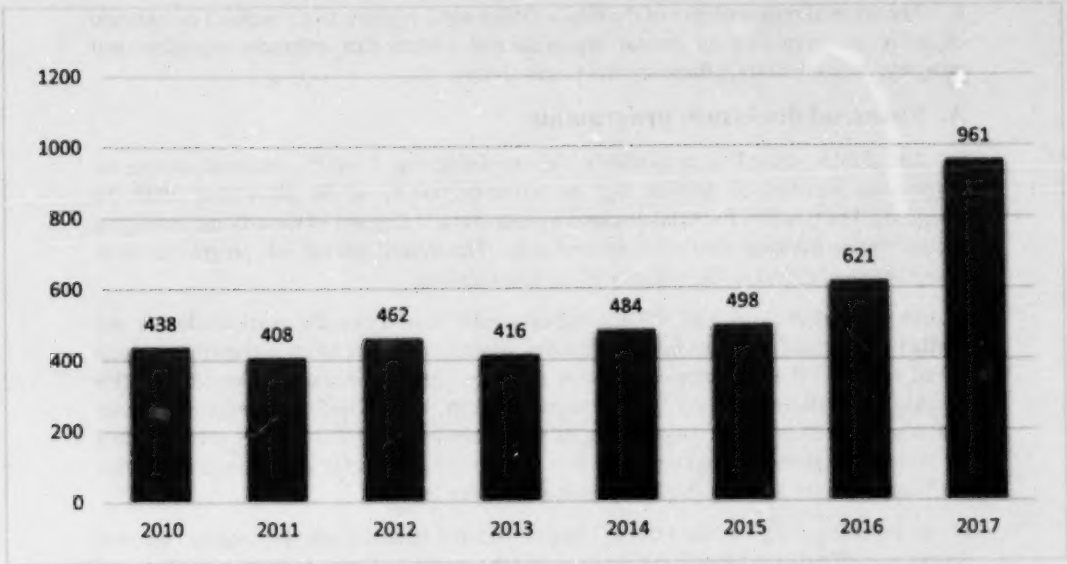
(d) providing confidential advice and guidance to personnel on ethical issues (such as conflicts of interest), including administering an ethics helpline; and

(e) supporting ethics standard-setting and policy coherence within the United Nations system.

5. In accordance with its core mandates, the Ethics Office assists the Executive Director in ensuring that all UNOPS personnel conduct themselves with integrity and professionalism and uphold the Charter of the United Nations. The office seeks to nurture and sustain an organizational culture committed to ethics and accountability, with the aim of enhancing both the credibility and the effectiveness of the United Nations.

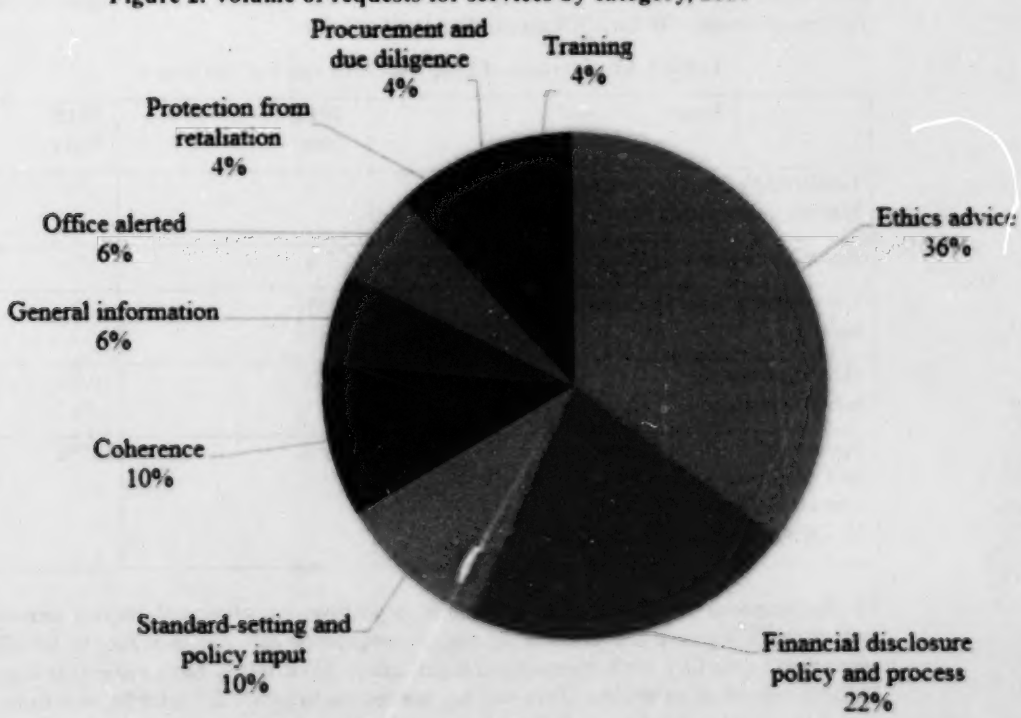
6. Reflecting its role as a consultative, impartial and service-oriented resource within UNOPS, the Ethics Office handled a total of 961 matters from 1 January 2017 to 31 December 2017. This represented a large increase in the number of requests for services received by the office as compared with the preceding reporting period. This increase can be attributed to the greater understanding of ethics issues, and the need to consult the Ethics Office on those issues, largely galvanized by the new Financial Disclosure and Conflicts of Interest Programme. Figure 1 depicts the comparison of the respective figures for the period 2012-2017.

**Figure 1. Comparison of requests for services by reporting cycle, 2012-2017**




7. Requests for services received during 2017 covered a broad range of ethics matters, including the permissibility of outside activities; acceptance of gifts/hospitality; policy advice; standard-setting support; and protection against retaliation for reporting misconduct and for cooperating with duly authorized audits or investigations. Figure 2 below provides a breakdown of requests by category.

**Figure 2. Volume of requests for services by category, 2017**



# III. Activities of the Ethics Office

8. The areas of responsibility of the Ethics Office serve to collectively support its strategic objective of promoting an ethical organizational culture that enhances organizational integrity, accountability, efficiency and productivity.

## A. Financial disclosure programme

9. The Ethics Office is responsible for administering UNOPS financial disclosure programme pursuant to section 3(g) of ST/SGB/2007/11 of 30 November 2007 (as amended). The UNOPS financial disclosure programme is a means of identifying, managing and mitigating personal conflict-of-interest risks. The overall goal of this programme is to strengthen public trust in the integrity of the organization.

10. As reported in 2016, UNOPS adopted on a pilot basis a new financial disclosure and conflict of interest form. This involved the development in-house of an online filing system linked to the UNOPS enterprise resource planning (ERP) system. As a result, UNOPS initiated the 2016 annual filing cycle three months later than in 2015. One consequence was that when the Ethics Office was drafting its annual report for 2016 it had not yet completed the review of statements filed under the new system. The Ethics Office has included in this 2017 annual report an analysis of the result of the pilot for 2016.

11. In assessing the pilot, the Ethics Office considered three aspects: (a) whether the new system was effective in identifying conflicts, (b) the reaction of users to the new system, and (c) the impact on resources UNOPS needed to administer the new system and review the declarations.

12. To assess the new system's efficiency in identifying conflicts, the Ethics Office compared statistics from the 2016 pilot with data from the 2015 financial disclosure exercise. In order to ensure consistency in analysis, the Ethics Office engaged the same external reviewer as in previous years. As shown in the table below, the review found that in most areas where a comparison across forms was possible, the 2016 form yielded a higher rate of disclosure compared to the 2015 annual disclosure exercise.

**Table 1. Comparison of 2015 and 2016 rates of disclosure**

| Issue | 2016 filers | 2015 filers |
|---|---|---|
| Leadership role in a non-United Nations organization | 7% | 2% |
| Receipt of a gift/hospitality | 7% | 0% |
| Owning an interest in a UNOPS vendor | 3.5% | 2% |
| Having an outside activity/business | 7% | 0.02 % |
| Spouse (or, in 2016, unmarried partner) works for UNOPS or the United Nations system or a UNOPS partner or vendor | 49% | 37% |

13. The response from filers was overwhelmingly positive. The previous form was seen as unnecessarily intrusive and time-consuming to complete; it required each filer to list all assets held by the filer, his/her spouse and dependent children, if they had a value of at least $10,000, regardless of whether there was any connection to UNOPS. Under the new form, questions are formulated so that filers can see their relevance, a change they appreciated.

The new form has an expanded scope in that it asks about unmarried partners, all outside activities (irrespective of whether they are income generating), political activities and any interest (regardless of value) held in a UNOPS vendor or partner. This broadening of scope led to the higher reporting rates of 2016. Notably, no complaints were received regarding this expansion of scope, and the form was perceived as less intrusive. Filers also appreciated that they could complete the form in any of the three UNOPS working languages.

14. The establishment of the new online system required collaboration from other UNOPS units and in particular the information and communications technology development team and the translators. These were one-off investments necessary to set up the new online system. The form's simpler terminology and availability in all three UNOPS working languages have reduced the number of unclear responses from filers who misunderstood the form in the past. In addition, the new online form includes 'accordion' questions, where a positive response to one question automatically triggers related follow-up questions, significantly reducing the need to request additional information by e-mail after review of the completed forms.

15. The Ethics Officer presented the results of the pilot study to the Executive Director together with the other members of the Corporate Operations Group. It was agreed that the new financial disclosure and conflict of interest form would be used again in 2017.

16. UNOPS launched the 2017 financial disclosure programme slightly earlier than in 2016. The Ethics Office intends to progressively issue it earlier each year so that it can analyse all submitted statements before the writing of the Ethics Office annual report. In 2017, the Ethics Office also continued its efforts to make the process more efficient. The Ethics Office liaised with information and communications technology in order to draw up preliminary lists of filers from the ERP system for regional directors and headquarters directors to review and complete. This reduced the time burden on the offices of those directors and ensured a more consistent interpretation of the categories of personnel required to file. For the first time, the Ethics Office held a competitive procurement process to select the company that would act as external reviewer of the submitted forms.

17. In the 2017 annual filing exercise, 690 members of UNOPS personnel were required to submit an online financial disclosure and conflict-of-interest form, and all filed.

18. The review of the submitted forms is ongoing.

## B. Protection of personnel against retaliation for reporting misconduct and for cooperating with duly authorized audits or investigations

19. Pursuant to the Secretary-General's bulletin (ST/SGB/2007/11, as amended), the Ethics Office is mandated to implement UNOPS policy on protection against retaliation for reporting misconduct and for cooperating with duly authorized audits or investigations. In accordance with UNOPS organizational directive number 35,[1] the Ethics Office received complaints of retaliation and conducted preliminary reviews to determine whether a complainant had engaged in a protected activity and, if so, whether the protected activity had been a factor contributing to the alleged retaliation. Should the Ethics Office determine, on the basis of its preliminary review, that that there is a prima facie case of retaliation, the matter is referred to the Internal Audit and Investigations Group (IAIG), or to an alternative investigating mechanism, if required, for formal investigation.

20. Pending the completion of a referred investigation, the Ethics Office may recommend to the Executive Director that interim protection measures be implemented to safeguard the interests of the complainant. The Ethics Office will make a final recommendation to the

[1] Operational directive 35, which was in force throughout 2017, was later repealed and replaced with the operational instruction of 22 February 2018.

Executive Director, for her determination, subsequent to receipt and assessment of the completed investigation report and evidentiary materials.

21. In 2017, the Ethics Office received ten requests for protection from retaliation. This represents a notable increase on 2016 when four such requests for protection were received. However, as in 2016, the majority of the requests (six of the total) originated from a single unit.

22. Five of the requests from the same unit were interrelated and took place in two phases. At the beginning of the year, two staff members asked their manager if they could meet to discuss the manager's behaviour, which they felt was giving rise to a culture of fear and anxiety. An attempt at informal resolution involving local human resources colleagues was followed by detrimental action by the manager against the two staff members. The two staff members then made formal allegations of abuse of authority, and asked the Ethics Office for protection against retaliation under UNOPS organizational directive number 35. A third colleague alleged threats of retaliation if s/he cooperated in the investigation into the claims made by the two original complainants.

23. In order to benefit from protection under organizational directive 35, a complainant's protected activity had to precede the retaliation. The Ethics Officer found a prima facie case of retaliation for the two original complainants, but not for the third complainant since the threat of retaliation had preceded the third complainant's cooperation in the investigation. However, the General Counsel advised IAIG that there could be no "retaliation" within the meaning of organizational directive 35 for the two original complainants either, as General Counsel determined that the attempt at informal resolution was not a protected activity and thus the detrimental action had preceded the protected activity (the lodging of the formal complaint).

24. Nevertheless, both the General Counsel and the manager who had been the subject of the allegations recognized that the underlying behaviour of the manager constituted harassment and created a hostile environment. The manager formally admitted misconduct and was sanctioned. The Executive Director also put in place a multi-point plan of action to protect the manager's team and to improve the manager's behaviour. The plan included coaching the manager and divesting her of human resources functions. The Ethics Office was given the opportunity to comment on the action plan and participated in several conference calls with the General Counsel, the People and Change Group, the Internal Audit and Investigations Group and the Regional Director.

25. The Ethics Office supported the complainants throughout, staying in frequent contact and explaining the process behind the Executive Director's action plan. UNOPS management reversed the detrimental action the two original complainants underwent.

26. Towards the end of 2017, two additional requests for protection against retaliation were received from the Ethics Office from colleagues in the same unit who had cooperated in the investigation. The Ethics Officer determined that there was no prima facie case of retaliation but that the two colleagues were in a vulnerable position. In accordance with the philosophy of preventative action emphasized in document SGB/2017/2/rev 1, the Ethics Office liaised with senior management to ensure the monitoring of the workplace and contractual situation of the individuals concerned.

27. The sixth request for protection against retaliation originating from the same unit was unrelated and dealt with reporting of separate misconduct in 2015. UNOPS organizational directive 35 did not allow personnel to claim protection for a protected activity that took place up to six years before requesting protection. However, the directive required protection to be sought no later than 12 months after the most recent alleged retaliatory act. The complainant was unable to provide substantive evidence of retaliation within the 12 months preceding her request. The Ethics Office therefore did not find a prima facie case of retaliation.

28. The other four requests for protection originated in three different units. In each case, the Ethics Officer found that, although the complainant had engaged in a protected activity by reporting suspected wrongdoing in good faith, there was no prima facie case of retaliation.

29. In the first case, the complainant had contacted the Ethics Office after observing grave mismanagement in a project. The Ethics Officer advised the complainant of the protection available under organizational directive 35. The complainant resigned some months later and alleged retaliation. However, the complainant was unable to explain how action taken by the unit after her resignation, which was in line with UNOPS policies but deviated from customary practice, had been detrimental to her.

30. In the second case, the complainant alleged that the non-renewal of his contract on its expiration was the result of his having reported suspected fraud. The Ethics Office found that the persons making the decision not to renew the contract were not aware of the report of fraud through UNOPS channels. The Ethics Office further found that the decision not to renew was based on other conduct by the complainant.

31. In the third case, the complainant alleged that the non-renewal of her contract was due to her having reported suspected theft. The Ethics Office's preliminary assessment found that there were funding problems in the office and that in any event the complainant's contract modality was not one which could be extended without a competitive process.

32. In the final case, the Ethics Officer requested further necessary details from the complainant prior to making a determination. The complainant did not respond, despite several reminders; as a result, the case was considered abandoned.

33. In each of the ten requests for protection, including those where the Ethics Office concluded after the preliminary assessment that there was no prima facie case of retaliation, the Ethics Office considered if there was any underlying management problem and made recommendations as appropriate.

34. Finally, throughout the year, the Ethics Officer was consulted by a number of colleagues regarding reporting channels and processes. The Ethics Office reminded several colleagues of the existence and role of the Office of the Ombudsman of United Nations Funds and Programmes in resolving interpersonal conflicts. The Ethics Office also advised colleagues of the existence of the protection available under organizational directive 35 in order to encourage a speak-up culture. The Ethics Office considers raising awareness of the policy as one means of preventing retaliation.

## C. Outreach, training and education

35. The Ethics Office worked on a number of training initiatives, both on its own and in collaboration with other units. These included e-learning courses and in-person training.

36. The online course, Ethics and Integrity at the United Nations, developed by other United Nations organizations, and promoted by the United Nations System Staff College, was introduced to UNOPS and made mandatory for all personnel. The course is available in English and French and is accompanied by information regarding contact details for the UNOPS Ethics Office and the UNOPS channels for reporting misconduct. UNOPS anticipated that the tracking of course completion would become automatic during 2017 with the launch of a UNOPS-wide digital learning system (Learning Zone), but there were delays in its roll out, which was finally launched in January 2018. At The People and Change Group learning team is currently working on validating past records of course completion and creating visibility for different units regarding course completion.

37. In 2017, the Ethics Office collaborated with the Procurement Group and IAIG in the development of a new interactive e-learning course called Ethics and Fraud Prevention in Procurement. The Ethics Advisor worked closely on the module, Ethics in Procurement. The course is mandatory for procurement officials, procurement reviewers, and procurement

authorities and contracts committee members; it is also recommended for project managers. The course was completed in autumn 2017 and launched at the same time as the Learning Zone. This initiative was a continuation of collaboration by the Ethics Office in the area of fraud prevention in 2017. It included the Ethics Advisor meeting with the directors of the Risk and Quality Group and IAIG to discuss the results of a fraud risk assessment carried out by external consultants. The Ethics Advisor subsequently formed part of the Fraud Prevention and Awareness Group, together with a regional director and the directors of IAIG, the Procurement Group and the Risk and Quality Group.

38. In 2017, the Ethics Advisor also worked on an update of the standards of conduct and ethics segment of the Certification in Human Resources Essentials online course for human resources practitioners.

39. The Ethics Office was strengthened in autumn 2017 through the recruitment of a part-time colleague to assist with administrative and graphic design tasks. This has led to the revision of the ethics intranet page, including the prominent posting of the International Civil Service Commission (ICSC) standards of conduct and relevant internal policies. In December 2017, the Ethics Office also created its own blog. Its first blog came in request to frequently asked questions on the gifts and hospitality policy and was in all three UNOPS working languages.

40. As in 2016, the Ethics Advisor presented a number of training sessions to colleagues from both the field and headquarters. They included presenting an interactive ethics training session to field colleagues attending the project management foundation course, and another on the role and function of the Ethics Office in the Finance Group at headquarters. The Ethics Advisor again presented the ethics-in-procurement segment (developed in 2016) of the three-day training in procurement operations given by the Procurement Group. Finally, the Ethics Advisor also had one-on-one meetings with new senior colleagues when they visited UNOPS headquarters in Copenhagen for their induction training.

41. In 2016, the Ethics Office was one of the members of a task force set up by the Executive Director to review and improve the policies governing how UNOPS handles grievances. The task force was led by the People and Change Group and included the Legal Group, IAIG and the Ethics Office. This led to the establishment in 2017 of a network of peers from across UNOPS to assist the People and Change Group in its preliminary review of allegations of harassment, abuse of authority or discrimination. It included a week-long training course for selected peers run by external consultants. The Ethics Office, along with the other members of the task force, attended the training in order to provide real-time guidance and input from the perspective of ethics and protection from retaliation.

42. The Ethics Officer received the agendas of senior management meetings, namely, those of the Corporate Operations Group, and decided whether to attend as an observer. In 2017, the Ethics Officer attended most meetings. He also attended the global leadership meeting at headquarters. The Ethics Officer continues to support the Internal Audit and Investigations Group and other headquarters groups' initiatives in anti-corruption and identification of risk in procurement. The Ethics Office cooperated with the Internal Audit and Investigations Group in the production and holding of the annual survey on integrity, ethics and anti-fraud.

## D. Advice and guidance

43. The ethics advisory function is a key element in United Nations efforts to protect and bolster its reputation for integrity. Pursuant to its advisory mandate, the Ethics Office provides confidential ethics advice and guidance to staff, management, departments and offices in order to ensure that decision-making is consistent with the values, principles and rules of the United Nations. This function serves to prevent, mitigate and resolve actual or perceived conflicts of interest and, in doing so, enhances the integrity of UNOPS and its personnel.

44. The advisory function of the Ethics Office is paramount: 36 per cent of all requests for services during the reporting period pertained to ethics advice (see figure 2). During the period under review, the office received 346 requests for advisory services on a wide range of ethics-related concerns. Figure 3, below, shows the categories into which requests for advice are classified (2016 percentages in parenthesis for comparison): outside activities, 44 per cent; allegations of misconduct, 10 per cent; other conflicts of interest, 10 per cent; financial disclosure, 4 per cent; employment-related concerns, 17 per cent; post-employment restrictions, 4 per cent; and gifts and hospitality, 11 per cent. There has been a noticeable increase in reported employment-related concerns since the launch of the speak-up campaign. A noticeable trend in 2016 was the higher number of Ethics Office consultations at the time of recruitment, at the request of human resources practitioners who had identified a potential conflict of interest in the case of proposed new colleagues.

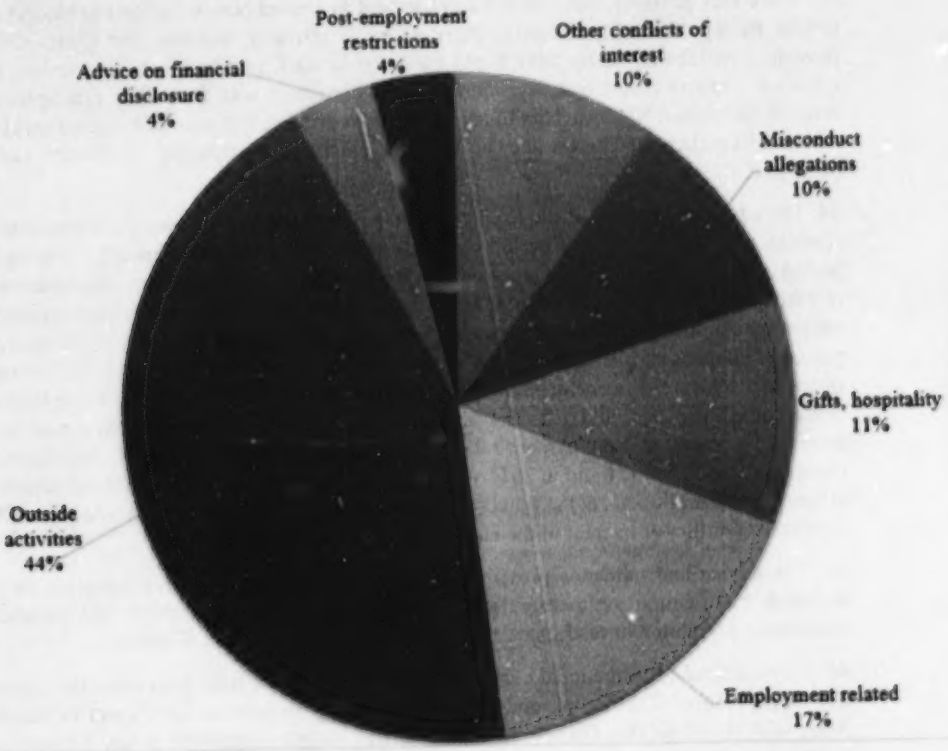
45. The advice and guidance provided by the Ethics Office during the reporting period included clarification or interpretation of UNOPS regulations, rules and standards concerning prohibited or restricted activities, and, of course, ethical dilemmas.

46. Through inter-organizational consultation and coordination with, inter alios, the General Counsel, members of the People and Change Group, the Procurement Group and the Internal Audit and Investigations Group, the Ethics Office sought to provide policy support and guidance on the interpretation and implementation of organizational standards.

47. The Ethics Office was particularly active in 2017 in contributing to the setting of standards as UNOPS moved forward with the implementation of the Governance, Risk and Compliance initiative. This included the close collaboration of the Ethics Advisor with the People and Change Group and the Legal Group in the drafting of the ethics section of the new organizational directive on human resources, ethics and culture. The Ethics Advisor also prepared the risk appetite statement of the Ethics Office for the Risk and Quality Group and was interviewed by panels set up to consider gender parity and knowledge management, respectively.

48. The Ethics Office was the UNOPS focal point for two United Nations system-wide reviews by the Joint Inspection Unit (JIU) in 2017. The first dealt with mechanisms and policies that addressed conflict of interest, and the second, whistle-blower policies and practices. This involved information gathering and analysis across different groups within UNOPS and the drafting of the UNOPS response to the two JIU questionnaires.

**Figure 3. Requests for ethics advice, 2017**




### E. Assistance to other organizations

49. In accordance with its mandate to provide services to other United Nations organizations, UNOPS agreed that its Ethics Office would be the outside reviewer for requests by the personnel of the World Intellectual Property Organization (WIPO) with regard to determinations by the WIPO Chief Ethics Officer in protection against retaliation cases.

## IV. The Ethics Panel of the United Nations and the Ethics Network of Multilateral Organizations

49. The United Nations Ethics Committee, later renamed the Ethics Panel of the United Nations, was established by the Secretary-General in his bulletin (ST/SGB/2007/11, as amended), which entered into force on 1 December 2007. The panel is mandated to establish a unified set of ethical standards and policies for the United Nations Secretariat and for the separately administered funds, programmes and specialized agencies, and to consult on certain important and particularly complex cases and issues having United Nations system-wide implications. In 2017, the UNOPS Ethics Officer participated in all eleven panel meetings.

50. In accordance with the Secretary-General's ongoing promotion of system-wide collaboration on ethics-related issues, including with United Nations funds, programmes and specialized agencies, and other interested entities, the Ethics Network of Multilateral Organizations (originally called the United Nations Ethics Network) was established on 21 June 2010. The Ethics Network was founded within the framework of the United Nations System Chief Executives Board for Coordination in order to promote system-wide collaboration and coherence in the area of ethics and integrity, with the participation of ethics

officers and related professionals from the United Nations Secretariat, United Nations funds, programmes and specialized agencies, and selected international financial institutions.

51. Further information on the work of the Ethics Panel of the United Nations is provided in the forthcoming Report of the Secretary-General on the Activities of the Ethics Office to be presented at the seventy-third session of the General Assembly.

United Nations DP/OPS/2018/5

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**United Nations Office for Project Services**

# Annual statistical report on United Nations procurement, 2017

***Summary***

The Executive Director of UNOPS submits the present report on procurement by organizations in the United Nations system to the Executive Board pursuant to its decision 2007/38. The complete annual statistical report on United Nations procurement may be obtained in the language of submission from the Executive Board secretariat and at the United Nations Global Marketplace website (http://www.ungm.org/Public/ASR).

Forty organizations submitted data for inclusion in the annual statistical report, 2017. They procured goods and services worth $18.6 billion in 2017, an increase of 5.1 per cent, or $910 million, compared to 2016 (when 39 organizations reported). The share of procurement from developing countries, countries with economies in transition and least developed countries was 60.9 per cent.

The complete annual statistical report, 2017, contains:

(a) a trend analysis of United Nations procurement by goods and services, countries of supply, United Nations organization, and category of goods and services;
(b) an analysis of United Nations procurement from suppliers in countries with economies in transition, developing countries, and least developed countries;
(c) analysis of sustainable procurement practices in the United Nations system, and analysis of United Nations procurement from suppliers that are participants of the United Nations Global Compact;
(d) an analysis of collaborative procurement between United Nations organizations;
(e) tables and charts detailing United Nations system procurement, by country of supply, United Nations organization, and category; and
(f) details of the procurement of major goods and services (over $30,000) by the respective United Nations organizations.

In addition, the website contains detailed, interactive information and allows users to access data on procurement by United Nations organization, country of supply, and procurement category.

***Elements of a decision***

The Executive Board may wish to take note of the present report and welcome the data and analysis it contains.

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# Introduction

1. UNOPS is pleased to be responsible for collecting and compiling system-wide procurement data on behalf of the United Nations system.

2. The 2017 annual statistical report, the 34th edition of the publication, provides an overview of the procurement of the United Nations system in support of its operations, projects and programmes in 2017. UNOPS relies on the cooperation of the participating entities in compiling and reporting these statistics.

3. This report presents a summary of the results of the analysis of the data. The complete annual statistical report may be obtained from the Executive Board secretariat and at the United Nations Global Marketplace website (http://www.ungm.org/Public/ASR). The website contains a wealth of interactive information and allows users to access data on procurement by United Nations organization, country of supply, and procurement category.

## A. Notes

4. Where this report refers to procurement by the United Nations, the United Nations system, or United Nations organizations, it refers to the procurement activities of the 40 organizations that submitted procurement data for the annual statistical report, 2017.

5. Procurement is defined as the acquisition through purchase or lease of real property, goods or other products (including intellectual property), works, or services. While United Nations organizations may have different systems and methodologies for recording and reporting on procurement data individually, for the annual statistical report a common definition of procurement is used and data is collected in a standardized format. Some organizations may therefore publish procurement statistics that differ from those published in the annual statistical report. Further, some organizations have limitations on the level of detail they are able to provide.

6. Purchase orders and contracts for services are reported by contract amount, not by expenditures incurred.

7. To enable reporting on categories of goods and services across all United Nations organizations, participating organizations are requested to provide procurement data based on the United Nations Standard Products and Services Code[1] standard, a publicly available multi-sector standard for classification of goods and services, at the most detailed level possible. In addition to categorization based on that standard, the report also uses sector grouping of goods and services based on areas of focus for the United Nations. For the purposes of presentation, some code names have been shortened or modified.

8. Throughout the report, the terms 'country' and 'countries' refer to countries and territories. Unless otherwise stated, they refer to supplier countries reported by the submitting organization. Country names, as well as their designation by geographic region, follow the standard country or area codes for statistical use referred to as the 'M49 standard' (prepared by the Statistics Division of the United Nations Secretariat).[2] For analytical purposes, the report classifies all countries into one of four broad categories: developed countries; developing countries; countries with economies in transition; and least developed countries. The report follows the country categorizations defined by UNCTADstat[3] – with the exception of least developed countries, for which the M49 standard is followed. The designations employed do not reflect any opinion on the part of the United Nations concerning the legal status of any country, territory, city, area, or its authorities, or the delimitation of its frontiers or boundaries. The assignment of countries or areas to particular groupings is for statistical convenience and does not imply any assumption regarding political or other affiliation of countries or territories by the United Nations.

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1 See http://www.unspsc.org.

2 For more information on the M49 classification, see https://unstats.un.org/unsd/methodology/m49.

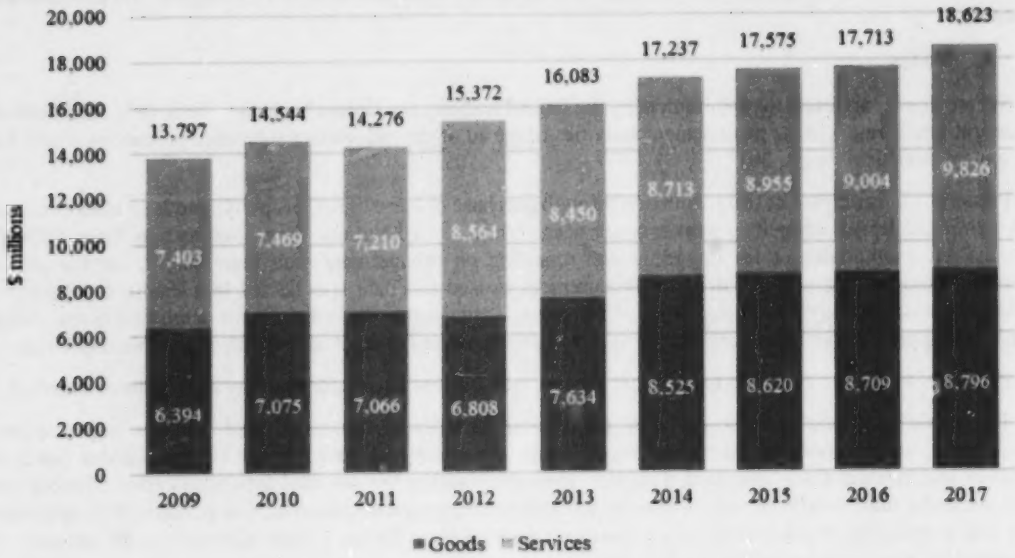
3 For more information on United Nations Conference on Trade and Development country designations, see http://unctadstat.unctad.org/EN/Classifications.html.

# I. Total United Nations procurement in 2017

9. The overall procurement value of United Nations organizations increased for a sixth consecutive year, reaching $18.6 billion in 2017 – an increase of 5.1 per cent, or $910 million, compared to 2016. The increase was driven largely by a 9.1 per cent, or $823 million, increase in procurement of services, while procurement of goods rose by a more modest 1.0 per cent, or $87 million.

10. Forty United Nations organizations reported procurement statistics in 2017, compared to 39 in 2016. The International Monetary Fund (IMF), which did not submit procurement statistics in 2016, procured $272 million of goods and services in 2017. The underlying growth in overall procurement (excluding IMF) was 3.6 per cent, or $638 million.

**Figure 1. Total procurement of goods and services, 2009-2017**




11. The growth was largely attributable to increases in procurement by UNDP, UNOPS, the Pan American Health Organization (PAHO) and the World Food Programme (WFP). Collectively those organizations recorded an additional $831 million in procurement volume compared to 2016.

12. The United Nations Procurement Division, the World Health Organization (WHO) and the United Nations Children's Fund (UNICEF) all reported significant reductions in procurement volume in 2017, totalling $633 million. The UNICEF reduction was attributed mainly to price savings in the procurement of pharmaceuticals.

13. For each year since 2013, 32 of the 40 United Nations organizations have reported procurement for the annual statistical report. The combined volume of their procurement has increased 9.7 per cent over that period, from $16.1 billion in 2013 to $17.6 billion in 2017.

14. The largest segments of procurement in 2017, by volume, were *Pharmaceuticals, contraceptives, vaccines* ($2.6 billion), *Transportation, storage, mail services* ($2.3 billion), and *Food and beverage products* ($1.9 billion).

## II. Major countries of supply to the United Nations system in 2017

15. In 2017, the United Nations system procured goods and services from 223 countries and territories, including all 193 Member States. One hundred and twenty-four countries and territories had a procurement volume of more than $10 million.

16. The top 10 supplier countries, by value, in 2017 accounted for $7.5 billion (or 40.2 per cent) of total procurement value. The concentration of procurement has diminished compared to previous years: the top 10 supplier countries accounted for 44.6 per cent of total procurement volume in 2016 and 44.8 per cent in 2015.

17. In 2017, the top 10 supplier countries included three developing countries (India, the United Arab Emirates and Kenya, in that order), with combined procurement of $2.2 billion, representing 29.5 per cent of the top 10 total, and 11.8 per cent of total United Nations procurement for 2017.

18. The United States of America remained the largest supplier country to the United Nations in 2017, increasing by 9.8 per cent to $1.7 billion. The increase was driven by higher expenditure on *Management and administrative services* (an increase of $108 million, or 49.5 per cent, $91 million of which was attributed to IMF). The largest area of procurement was in *Pharmaceuticals, contraceptives, vaccines*, procured primarily by UNICEF and PAHO. Overall expenditure in this segment, however, decreased by $83.5 million (19.2 per cent).

**Table 1. Top 10 supplier countries by procurement volume, 2017**

| Supplier country | Goods, 2017 ($ millions) | Services, 2017 ($ millions) | Total 2017 ($ millions) | Share of United Nations total 2017 (%) | Total change 2016-2017 (%) |
|---|---|---|---|---|---|
| United States of America | 587.2 | 1,154.2 | 1,741.4 | 9.4% | 9.8% |
| India | 741.7 | 165.2 | 907.0 | 4.9% | -14.8% |
| United Arab Emirates | 635.7 | 161.1 | 796.8 | 4.3% | -8.3% |
| Belgium | 660.4 | 58.4 | 718.8 | 3.9% | -20.7% |
| France | 511.7 | 181.0 | 692.7 | 3.7% | 13.7% |
| United Kingdom of Great Britain and Northern Ireland | 156.8 | 398.3 | 555.1 | 3.0% | -8.3% |
| Switzerland | 142.9 | 404.6 | 547.5 | 2.9% | 24.3% |
| Netherlands | 388.7 | 123.1 | 511.8 | 2.7% | 19.5% |
| Denmark | 260.0 | 247.4 | 507.4 | 2.7% | -31.3% |
| Kenya | 169.8 | 333.1 | 502.9 | 2.7% | 27.4% |
| **Top 10 total** | **4,254.9** | **3,226.4** | **7,481.3** | **40.2%** | **-2.1%** |
| United Nations total | 8,796.4 | 9,826.3 | 18,622.7 | | 5.1% |

19. India was again the second-largest supplier country, having been a top 10 supplier country since 2000. Procurement from suppliers in India, however, fell by 14.8 per cent, or $158 million, to $907 million. The reduction of procurement from Indian suppliers was predominantly due to a decrease in *Pharmaceuticals, contraceptives, vaccines* of $86 million (11.8 per cent) from 2016 to 2017. It nevertheless remained the largest procurement area, representing 70.8 per cent of total procurement from Indian suppliers. The second largest area of spending in India in 2017 was *Engineering and research services*, which increased by $14 million, to $45 million; almost half of that total was related to *Computer services*. Procurement of *Food and beverage products* from Indian suppliers decreased by $51 million (80.2 per cent).

20. The United Arab Emirates was the third-largest supplier country, moving up from fourth place in 2016 despite recording an 8.3 per cent reduction in procurement volume from 2016 to 2017. The country is the largest

supplier country of *Fuels and lubricants etc.* to the United Nations system, supplying 43.3 per cent of the total $612 million spent in the sector. It was the second largest supplier country for *Food and beverage products*, after Turkey. Spending in this segment from United Arab Emirates suppliers, however, fell by $20 million, or 7.3 per cent, from 2016 to 2017.

21. Kenya was a new addition to the top 10 supplier countries in 2017, with its reported procurement volume increasing from $395 million to $503 million. This was largely due to an additional $63 million in procurement by WFP, predominantly on *Transportation, storage, mail services* and *Food and beverage products*. The Food and Agriculture Organization (FAO) more than tripled its procurement from suppliers in Kenya, from $8.8 million in 2016 to $27 million in 2017. FAO procurement in Kenya was focused on *Vocational training services* ($7.3 million) and *Animal feed* ($1.9 million). WFP had the largest procurement from suppliers in Kenya – $146 million in total – while the United Nations Procurement Division was the second largest procuring organization, with $136 million in 2017.

22. After joining the top 10 supplier countries in 2016, Turkey dropped to be the country with the 11th largest procurement volume in 2017. Procurement from Turkey fell by $188 million (28.9 per cent), due largely to a $228 million (48.6 per cent) reduction in spending on *Food and beverage products* by WFP (offset somewhat by increases in other areas).

23. The other countries in the top 10 countries by procurement volume remained the same as in 2016. Among them, Belgium fell to fourth place on the list after spending with Belgian suppliers declined by 20.7 per cent, primarily on *Pharmaceuticals, contraceptives, vaccines* ($161 million less in 2017 than in 2016). France moved up to fifth place, due to an additional $66 million procurement by UNOPS of *Laboratory and scientific equipment* and an additional $33 million on *Clinical nutrition* goods by UNICEF. Switzerland moved up two places, with a 24.3 per cent ($107 million) improvement in procurement volume, including an additional $33 million procurement of *Engineering and research services*. The United Kingdom of Great Britain and Northern Ireland experienced an 8.3 per cent ($50 million) decrease compared to 2016, due primarily to a reduction in United Nations Procurement Division expenditure on *Office equipment* from suppliers in the United Kingdom – offset somewhat by a $81 million increase in procurement from WFP.

## III. Procurement volume by region of supplier in 2017

24. Procurement increased from the Africa, Latin America and the Caribbean, and Northern America regions in 2017, while decreasing in other regions. Procurement from suppliers in Africa increased the most in absolute terms – by $473 million, or 15.9 per cent, to $3.4 billion in 2017. It also experienced the highest increase in share of total United Nations procurement, increasing from 17.3 per cent in 2016 to 19.2 per cent in 2017. Latin America and the Caribbean had the largest increase in percentage terms, with procurement from suppliers in the region increasing by 39.0 per cent, to $1.2 billion in 2017. Asia remained the region with the highest procurement volume, but saw a $129 million (2.2 per cent) reduction compared to 2016 – the largest decrease in absolute terms of any region.

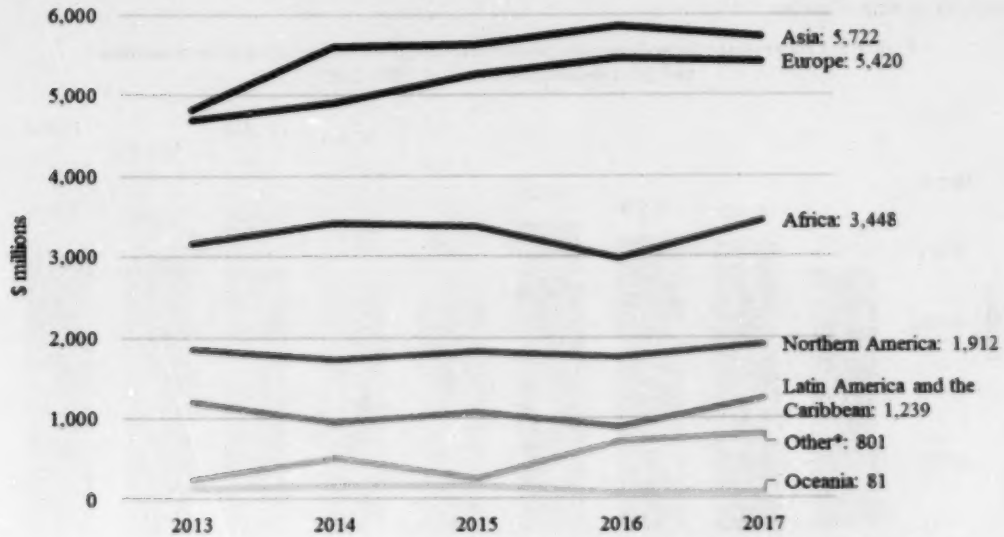
25. The increased procurement volume in Africa was due particularly to WFP and UNDP, which increased expenditure in the region by $470 million and $128 million, respectively, primarily on *Transportation, storage, mail services*, *Food and beverage products* and *Engineering and Research services*. WFP procurement from suppliers in Nigeria increased from $41 million to $116 million, and in Kenya from $84 million to $146 million, while UNDP spent $40 million more with suppliers in Senegal than it had in 2016.

26. There was a large increase in procurement from Latin America and the Caribbean, due primarily to an additional $247 million in procurement by UNOPS from suppliers in Argentina (up from $0.6 million in 2016), mainly on *Computer equipment and accessories* and *Computer services*. United Nations procurement from Argentina increased from $21 million in 2016 to $279 million in 2017. PAHO also increased its procurement in the region, by $123 million, or 145 per cent. The largest decrease in the region was in Peru, where the procurement volume fell by $140 million, to $54 million.

27. In the Asia region, there were increases in procurement from Iraq, Singapore and Yemen, between them accounting for an increase of $607 million from 2016 to 2017. Yemen experienced one of the largest increases in procurement, up from $326 million in 2016 to $434 million in 2017. This was due in part to $197 million in

additional procurement by UNICEF on *Financial and insurance services*, while WFP procured an additional $68 million of *Transportation, storage, mail services* and $29 million of *Food and beverage products*. However, there was a net decrease in procurement of $129 million in the Asia region, due in part to decreased procurement by WFP –$572 million less from suppliers in the region in 2017 than in 2016.

**Figure 2. Total procurement by region, 2013-2017**




* Includes the State of Palestine and data where the supplier country is unknown

28. The decrease in expenditure in Europe was influenced by falls in procurement in Denmark ($231 million fall or 31.3 per cent, mostly attributed to the United Nations Procurement Division), Belgium ($187 million or 20.7 per cent, primarily with UNICEF), and the United Kingdom ($50 million or 8.3 per cent decrease). However, procurement from Switzerland, Austria and the Netherlands increased by $279 million combined.

29. The procurement volume from suppliers where the supplier country was unknown declined, by $417 million, to $664 million in 2017. This was due to some participating organizations improving the supplier country data in their 2017 submissions. Ninety-three per cent of procurement volume where the supplier country was unknown came from the International Organization for Migration (IOM), which was unable to specify supplier countries for any of its procurement. IOM procurement volume in 2017 was $618 million.

## IV. Procurement from developing countries, countries with economies in transition and least developed countries

30. In 2002, the General Assembly requested the Secretary-General to encourage organizations of the United Nations system to take further steps to increase procurement opportunities for suppliers from developing countries and countries with economies in transition.[4] In response, and in line with the 2030 Agenda for Sustainable Development, United Nations organizations have increased procurement from these countries, and 2017 was no exception.

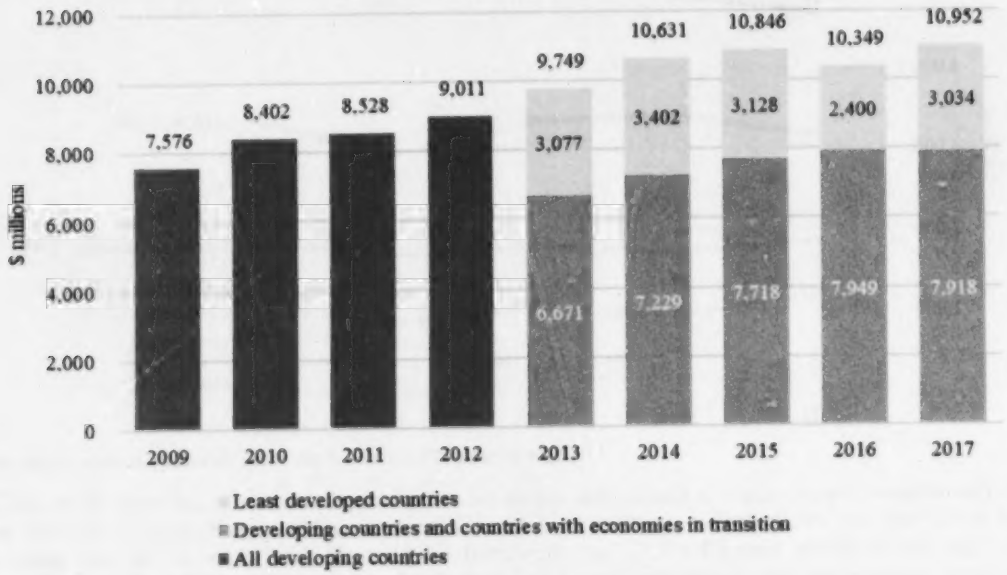
31. Procurement from developing countries increased in 2017, both in absolute terms (from $10.3 billion in 2016 to $11.0 billion in 2017) and as a percentage of United Nations procurement. This was driven by an increase of $636 million (26.5 per cent) in procurement from least developed countries compared to 2016,

[4] A/RES/57/279

representing 16.9 per cent of total United Nations procurement volume in 2017. Meanwhile, the percentage of procurement volume from developing countries and countries with economies in transition together declined, from 46.3 per cent to 44.1 per cent.[5]

32. Of the $11.0 billion goods and services procurement in 2017 from developing countries, countries with economies in transition and least developed countries, 62.9 per cent was procured from 20 countries. Fourteen of those countries experienced an increase in procurement compared to 2016, most notably Argentina and Yemen, as described earlier.

**Figure 3. Procurement from developing countries, countries with economies in transition and least developed countries, 2009-2017**




33. Table 2 shows the top 20 countries by procurement volume of developing countries, countries with economies in transition and least developed countries in 2017. In addition to Argentina and Yemen, countries new to this table are Brazil, Nigeria, and Panama: there was an additional $226 million in procurement from suppliers in those countries in 2017. The countries that dropped out of the top 20 list were Afghanistan, the Democratic Republic of the Congo, Pakistan, Peru, and Ukraine.

[5] Calculation of percentages related to procurement by country development status excludes procurement where the supplier country is unknown.

**Table 2. Top 20 countries by procurement volume – developing countries, countries with economies in transition and least developed countries, 2017**

| Supplier country | Goods 2017 ($ millions) | Services 2017 ($ millions) | Total 2017 ($ millions) | Share of United Nations total 2017 (%) | Total change 2016-2017 (%) |
|---|---|---|---|---|---|
| India | 741.7 | 165.2 | 907.0 | 4.9% | -14.8% |
| United Arab Emirates | 635.7 | 161.1 | 796.8 | 4.3% | -8.3% |
| Kenya | 169.8 | 333.1 | 502.9 | 2.7% | 27.4% |
| Turkey | 337.2 | 124.0 | 461.2 | 2.5% | -28.9% |
| Yemen | 78.2 | 355.5 | 433.6 | 2.3% | 301.8% |
| Iraq | 81.1 | 302.2 | 383.3 | 2.1% | 85.8% |
| Jordan | 83.1 | 274.6 | 357.8 | 1.9% | 14.1% |
| Lebanon | 92.2 | 233.0 | 325.2 | 1.7% | 11.9% |
| Russian Federation | 53.9 | 232.8 | 286.8 | 1.5% | -12.5% |
| Argentina | 191.4 | 87.6 | 279.0 | 1.5% | 1231.6% |
| Ethiopia | 87.6 | 175.5 | 263.2 | 1.4% | 5.6% |
| Sudan | 175.9 | 81.8 | 257.7 | 1.4% | 46.2% |
| South Africa | 101.6 | 126.0 | 227.6 | 1.2% | 17.5% |
| China | 154.8 | 65.2 | 220.0 | 1.2% | -3.7% |
| Nigeria | 124.5 | 85.0 | 209.5 | 1.1% | 53.8% |
| South Sudan | 53.6 | 150.5 | 204.1 | 1.1% | 14.2% |
| Republic of Korea | 176.7 | 25.0 | 201.8 | 1.1% | -6.2% |
| Uganda | 64.5 | 129.1 | 193.6 | 1.0% | 58.3% |
| Panama | 150.6 | 40.5 | 191.1 | 1.0% | 33.1% |
| Brazil | 5.0 | 185.5 | 190.5 | 1.0% | 74.4% |
| **Top 20 total** | **3,559.2** | **3,333.3** | **6,892.4** | **37.0%** | |
| **Developing countries, countries with economies in transition, least developed countries total** | **4,984.2** | **5,968.1** | **10,952.3** | **58.8%** | **5.8%** |
| **United Nations total** | **8,796.4** | **9,826.3** | **18,622.7** | | **5.1%** |

## V. Procurement by organizations of the United Nations system

34. Table 3 shows the procurement volume for 2017 by United Nations organization, including their respective shares of procurement from developing countries, countries with economies in transition, and least developed countries. The largest 10 organizations by procurement volume in 2017 accounted for $16.3 billion (87.3 per cent) of total procurement volume, compared to $15.8 billion (89.4 per cent) in 2016. While those 10 organizations increased their procurement volumes by 2.6 per cent on average, the other organizations increased theirs by an average of 12.3 per cent.[6]

35. In 2017, 29 of the 40 reporting organizations experienced an increase in procurement volume compared to 2016. Fourteen of these saw their procurement volume rise by more than 20 per cent.

[6] Excludes IMF, which reported in 2017 but not 2016.

**Table 3. Procurement by United Nations organization**

| Organization | Total 2017 ($ millions) | Total change 2016-2017 (%) | Share of procurement from developing countries, countries with economies in transition and least developed countries, 2017 (%) |
|---|---|---|---|
| UNICEF | 3,428.7 | -1.6% | 56.9% |
| WFP | 3,075.3 | 3.8% | 73.0% |
| UNPD | 2,746.7 | -15.0% | 61.3% |
| UNDP | 2,117.0 | 24.7% | 71.5% |
| UNHCR | 1,239.4 | 5.1% | 70.3% |
| UNOPS | 1,068.9 | 18.7% | 64.3% |
| PAHO | 919.4 | 16.4% | 47.1% |
| WHO | 666.6 | -11.9% | 51.5% |
| IOM^ | 617.6 | 18.2% | N/A |
| FAO* | 371.4 | 17.2% | 74.9% |
| UNFPA | 316.8 | 12.4% | 49.4% |
| IMF | 272.3 | N/A | 0.0% |
| UNRWA | 243.7 | -15.5% | 83.4% |
| IAEA | 219.8 | 49.2% | 14.0% |
| ILO* | 214.7 | 32.0% | 65.6% |
| UNIDO | 178.4 | 44.6% | 52.7% |
| UNESCO | 129.0 | 5.0% | 63.4% |
| WIPO | 114.8 | 0.4% | 6.2% |
| UNOG | 109.7 | 16.6% | 5.6% |
| UN-Women | 104.2 | -27.3% | 59.2% |
| UNOV | 84.9 | 28.1% | 71.0% |
| UNAIDS | 49.4 | 45.1% | 57.3% |
| IFAD | 48.7 | 3.3% | 18.9% |
| ITU | 47.7 | 0.1% | 13.0% |
| UNON | 40.9 | 42.8% | 77.2% |
| UNFCCC | 24.4 | 230.8% | 5.8% |
| UN-ICTY/MICT | 19.2 | 43.1% | 17.9% |
| ECA | 18.9 | 43.5% | 52.6% |
| OPCW | 18.4 | -60.8% | 1.8% |
| UPU | 16.7 | -24.0% | 10.5% |
| IMO | 16.4 | 6.5% | 17.8% |
| ITC | 14.3 | 53.6% | 27.9% |
| WMO | 14.1 | -19.7% | 2.7% |
| ECLAC | 13.9 | 146.2% | 62.3% |
| ESCAP | 13.5 | 73.8% | 70.3% |
| UNV | 9.1 | 8.5% | 2.0% |
| UNU | 7.4 | 0.1% | 14.0% |
| ESCWA | 6.7 | 43.1% | 87.1% |
| UNWTO | 3.0 | -3.0% | 2.3% |
| UNAKRT | 1.1 | -43.0% | 69.5% |
| **United Nations total** | **18,622.7** | **5.1%** | **60.9%** |

Calculation of share of procurement from developing countries, countries with economies in transition and least developed countries excludes data where the supplier country is unknown.

* Supplier country known for only part of data (FAO 94%, ILO 95% by volume). ^ IOM did not report on supplier countries in 2017.

36. UNDP experienced the largest absolute increase, of $420 million (or 24.7 per cent), to $2.1 billion. This was attributed to increased procurement activity, particularly in the areas of *Health* (including $84 million extra spending on *Hormones and hormone antagonists*), and *Construction and engineering* (including $74 million additional spending on *Professional engineering services* and an increase of $131 million on *Building and facility management and repair services*).

37. UNOPS experienced the second-highest increase in procurement volume in absolute terms. Its volume increased by 18.7 per cent, from $900 million in 2016 to $1.1 billion in 2017. This was associated with increased expenditure on information and communications technology goods and services in Argentina, as well as procurement of an additional $72 million of *Laboratory and scientific equipment* compared to 2016, mainly from French suppliers, and $107 million of *Motor vehicles*, up from $81 million in 2016, predominantly from Japan.

38. Ten organizations reported a decrease in procurement compared to 2016. The largest decrease in absolute terms was $486 million (or 15.0 per cent) by the United Nations Procurement Division. This was due to a combination of downsizing some field missions, savings in air transportation, and a change in the procurement approach for some security services. WHO experienced a $135 million reduction in expenditure on *Comprehensive health services*, which was offset, in part, by increased expenditure on *Medical equipment* ($17 million more than 2016); however, the organization reported an overall reduction in procurement of $90 million.

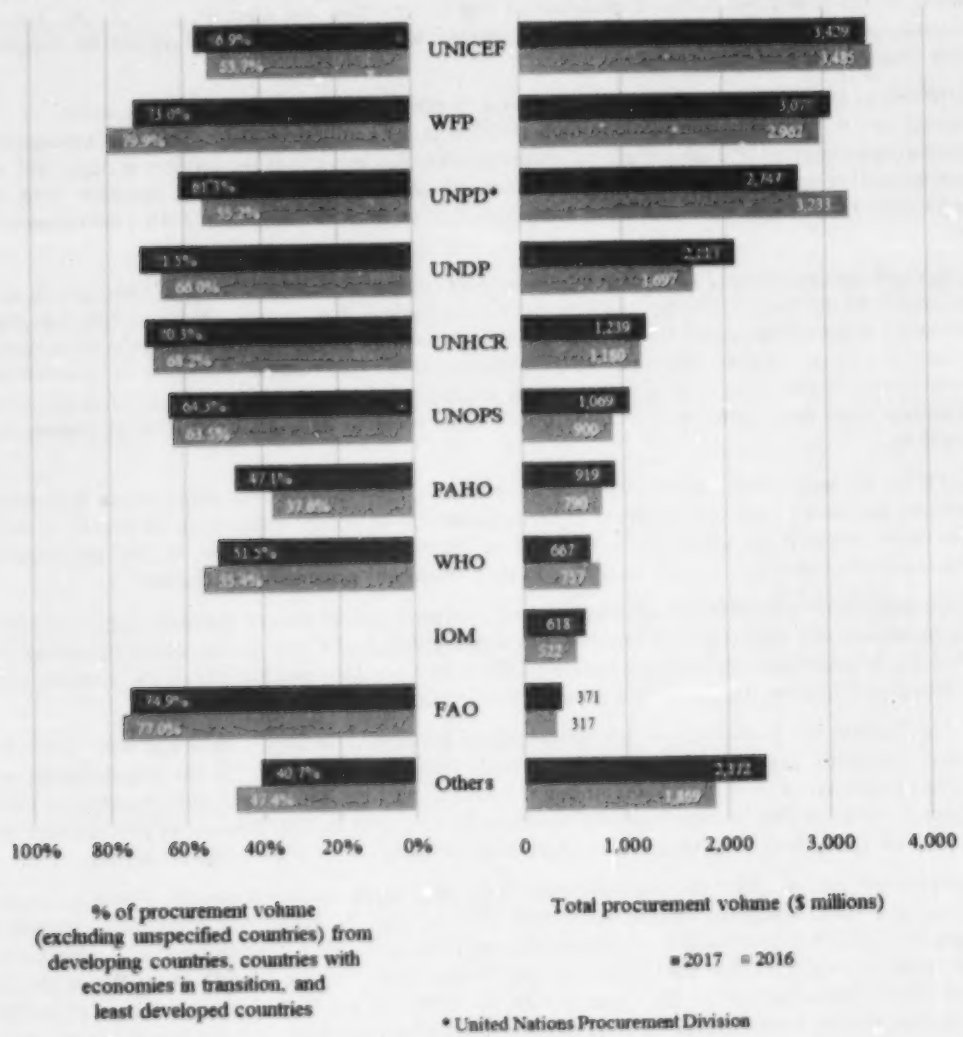
39. UNICEF, the largest organization by procurement volume, reported a 27.6 per cent increase in procurement of services and an 11.1 per cent decrease in the procurement of goods, resulting in an overall decrease of 1.6 per cent compared to 2016. This included a reduction of $322 million in the procurement of *Pharmaceuticals, contraceptives and vaccines*, driven primarily by price savings achieved.

40. Some organizations experienced substantive changes in procurement volume due to changes in the way their procurement data was collected. For example, the implementation of a new global resource planning system enabled the International Labour Organization (ILO) to improve the completeness of its reporting in 2017, contributing to a 32.0 per cent increase in reported procurement compared to 2016.

41. Table 3 shows the proportion of procurement from developing countries, countries with economies in transition and least developed countries, by United Nations organization. Of the organizations with a procurement volume of more than $100 million, the United Nations Relief and Works Agency for Palestine Refugees in the Near East had the highest proportion (83.4 per cent or $203 million) of procurement coming from developing countries, countries with economies in transition and least developed countries.

42. In terms of volume, WFP procured the most from developing countries, countries with economies in transition and least developed countries in 2017 ($2.2 billion); however, this proportion dropped from 79.9 per cent in 2016 to 73.0 per cent of total procurement volume in 2017. Among the top 10 organizations by procurement volume, UNICEF, the United Nations Procurement Division, UNDP, the Office of the United Nations High Commissioner for Refugees (UNHCR), UNOPS and PAHO increased their proportion of procurement volume from developing countries, countries with economies in transition and least developed countries in 2017. The proportion of procurement from these countries for the top 10 organizations by total procurement volume is shown in figure 4.

**Figure 4. Procurement by United Nations organizations from developing countries, countries with economies in transition and least developed countries, 2016-2017 (top 10 organizations by total procurement volume)**




## VI. Procurement by category of goods and services

43. The annual statistical report collects information from participating organizations on the nature of goods and services procured based on the United Nations Standard Products and Services Code standard. The hierarchy of product segments, families, classes and commodities is used for categorizing and reporting on procured goods, services and works in the report. In addition, the report uses sectors of procurement, bringing together goods and services linked to areas of focus for the United Nations.

44. Across the reporting organizations, the procurement volume in the sector *Consultancy, administration and operations* increased, by $685 million, to $4.0 billion in 2017, with UNDP, UNICEF and UNHCR being the largest procurers in the sector. On the other hand, expenditure in the second-largest sector, *Health*, representing

$3.7 billion in procurement, saw the largest decrease in 2017, falling $230 million from 2016, due to a decreased procurement volume of *Pharmaceuticals, contraceptives and vaccines*. In 2017, 19.2 per cent of data (by procurement volume) was reported only at the highest 'segment' level, under the hierarchy, while 80.8 per cent was reported at a minimum of family level and 21.9 per cent was reported at the most specific commodity level. In general, organizations were able to improve the level of specificity in their reporting in 2017.

**Table 4. Top 10 categories of procurement by volume, UNSPSC segment level, 2017**

| Category (UNSPSC* segment level) | Total 2017 ($ millions) | Total change 2016-2017 (%) | Share of procurement from developing countries, countries with economies in transition and least developed countries, 2017 (%) |
|---|---|---|---|
| Pharmaceuticals, contraceptives, vaccines^ | 2,641.4 | -7.3% | 39.8% |
| Transportation, storage, mail services | 2,323.1 | -3.5% | 67.7% |
| Food and beverage products | 1,893.8 | 0.1% | 79.7% |
| Management and administrative services | 1,809.3 | 8.5% | 62.3% |
| Building and maintenance services | 1,303.0 | 9.9% | 76.9% |
| Engineering and research services | 1,279.4 | 28.2% | 45.0% |
| Medical equipment | 735.7 | 19.5% | 40.8% |
| Information technology and communications equipment | 626.1 | 36.4% | 50.2% |
| Fuels and lubricants etc. | 611.7 | 3.7% | 93.8% |
| Travel, food and lodging | 559.0 | 110.2% | 64.3% |
| Top 10 total | 13,782.4 | | |
| United Nations total | 18,[illegible] | | |

*UNSPSC = United Nations Standard Products and Services Code

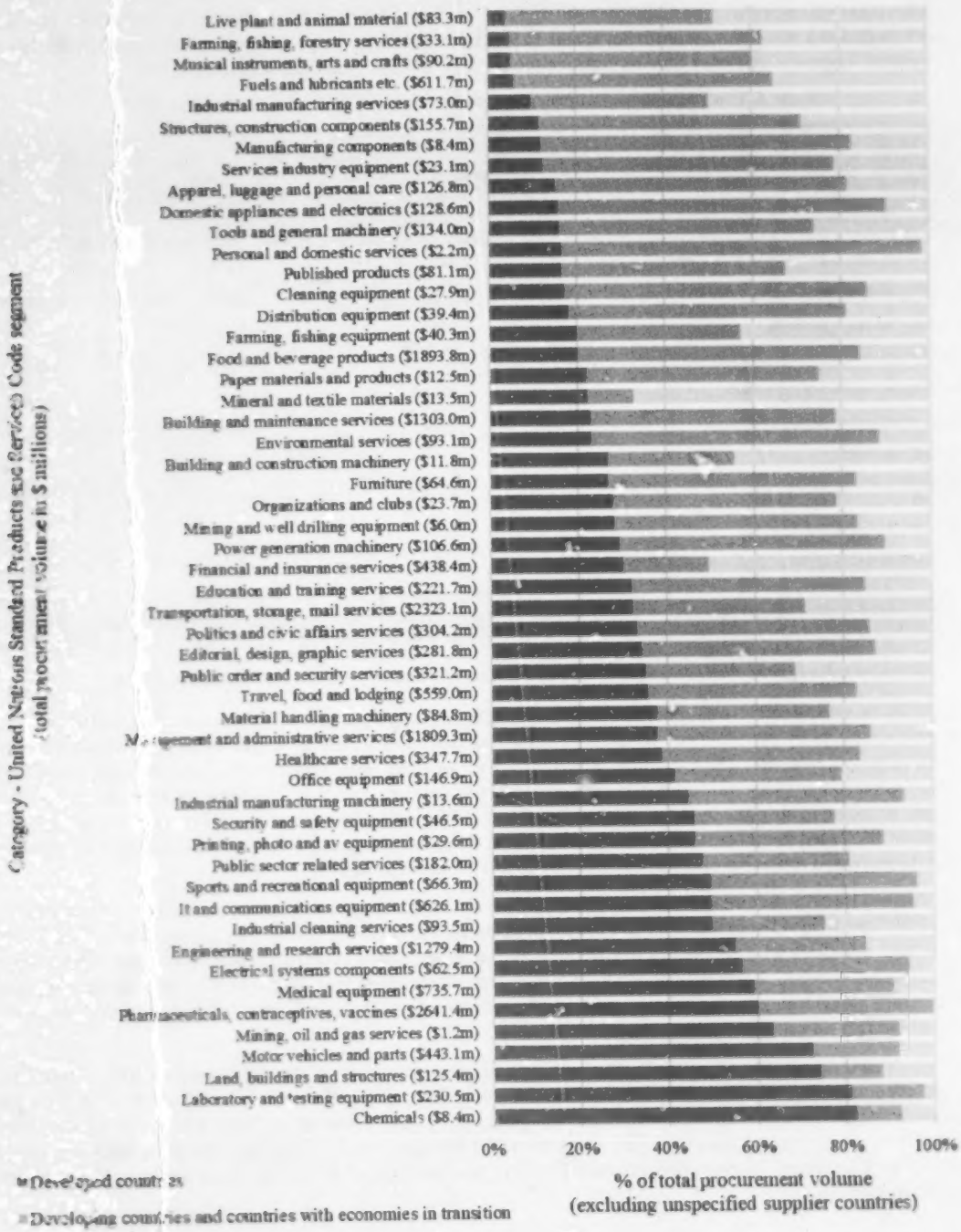
^ Condoms are included under *Pharmaceuticals, contraceptives, vaccines* for the purposes of the annual statistical report

45. In 2017, procurement was recorded against 57 different segments (the same number as in 2016). The 10 largest segments by procurement volume are shown in table 4. The largest segments were *Pharmaceuticals, contraceptives, vaccines* ($2.6 billion), *Transportation, storage, mail services* ($2.3 billion) and *Food and beverage products* ($1.9 billion). *Pharmaceuticals, contraceptives, vaccines* was the segment that realized the largest decrease in absolute terms in 2017 compared to 2016, while expenditure in the *Travel, food and lodging* segment increased the most, more than doubling from $265 million in 2016 to $559 million. This was due, in part, to increased reporting of travel expenditure in 2017 compared to 2016.

46. There were 53 different segments of goods and services with the procurement volume above $1 million in 2017. Of these, in 44 segments, more than 50 per cent of the procurement by volume was from developing countries, countries with economies in transition and least developed countries. Total procurement from those 44 segments was $13.1 billion. There were 15 segments where more than 80 per cent of procurement volume was from developing countries, countries with economies in transition and least developed countries, representing $1.6 billion of procurement.

47. *Fuels and lubricants etc.* is the largest segment where procurement from developing countries, countries with economies in transition and least developed countries represents more than 80 per cent of the total procurement volume. Of the total $612 million procured in this segment in 2017, $358 million was from developing countries and countries with economies in transition, and $213 million was from least developed countries. The United Nations Procurement Division was the largest procuring organization in this segment ($398 million).

**Figure 5. Distribution of categories of goods and services by supplier country development status and total procurement volume by segment (segments with procurement volume above $1 million; unspecified goods and services excluded)**


Category - United Nations Standard Products and Services Code segment
(total procurement volume in $ millions)
Live plant and animal material ($83.3m)
Farming, fishing, forestry services ($33.1m)
Musical instruments, arts and crafts ($90.2m)
Fuels and lubricants etc. ($611.7m)
Industrial manufacturing services ($73.0m)
Structures, construction components ($155.7m)
Manufacturing components ($8.4m)
Services industry equipment ($23.1m)
Apparel, luggage and personal care ($126.8m)
Domestic appliances and electronics ($128.6m)
Tools and general machinery ($134.0m)
Personal and domestic services ($2.2m)
Published products ($81.1m)
Cleaning equipment ($27.9m)
Distribution equipment ($39.4m)
Farming, fishing equipment ($40.3m)
Food and beverage products ($1893.8m)
Paper materials and products ($12.5m)
Mineral and textile materials ($13.5m)
Building and maintenance services ($1303.0m)
Environmental services ($93.1m)
Building and construction machinery ($11.8m)
Furniture ($64.6m)
Organizations and clubs ($23.7m)
Mining and well drilling equipment ($6.0m)
Power generation machinery ($106.6m)
Financial and insurance services ($438.4m)
Education and training services ($221.7m)
Transportation, storage, mail services ($2323.1m)
Politics and civic affairs services ($304.2m)
Editorial, design, graphic services ($281.8m)
Public order and security services ($321.2m)
Travel, food and lodging ($559.0m)
Material handling machinery ($84.8m)
Management and administrative services ($1809.3m)
Healthcare services ($347.7m)
Office equipment ($146.9m)
Industrial manufacturing machinery ($13.6m)
Security and safety equipment ($46.5m)
Printing, photo and av equipment ($29.6m)
Public sector related services ($182.0m)
Sports and recreational equipment ($66.3m)
It and communications equipment ($626.1m)
Industrial cleaning services ($93.5m)
Engineering and research services ($1279.4m)
Electrical systems components ($62.5m)
Medical equipment ($735.7m)
Pharmaceuticals, contraceptives, vaccines ($2641.4m)
Mining, oil and gas services ($1.2m)
Motor vehicles and parts ($443.1m)
Land, buildings and structures ($125.4m)
Laboratory and testing equipment ($230.5m)
Chemicals ($8.4m)
0%
20%
40%
60%
80%
100%
% of total procurement volume
(excluding unspecified supplier countries)
Developed countries
Developing countries and countries with economies in transition
Least developed countries

48. Of the segments where procurement was predominantly from developed countries in percentage terms, *Pharmaceuticals, contraceptives, vaccines* is the largest, with $1.6 billion of the total $2.6 billion from developed countries. However, India is the largest supplier country for this segment, with $642 million procurement in 2017.

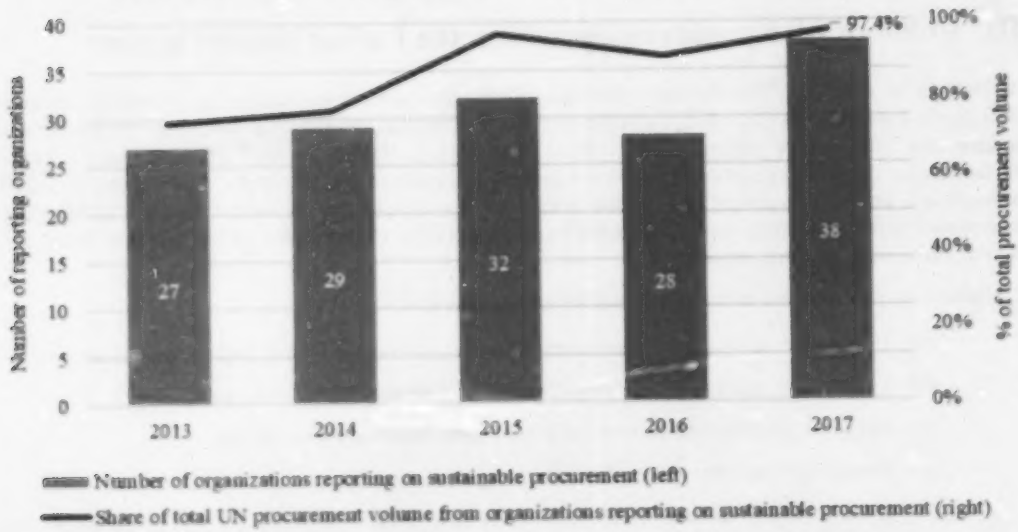
49. The calculation of percentages in this analysis excludes procurement where the supplier country is unknown. Of the $664 million procurement volume in 2017 where the supplier country is unknown, $203 million is in the *Building and maintenance services* segment and $80 million was for *Transportation, storage, mail services.*

## VII. Sustainable procurement in the United Nations system

50. The purchasing power of United Nations organizations can be used to advance sustainable development through the incorporation of sustainability considerations into the procurement process.

51. Sustainable procurement is defined as "practices that integrate requirements, specifications and criteria that are compatible and in favour of the protection of the environment, of social progress and in support of economic development, namely by seeking resource efficiency, improving the quality of products and services and ultimately optimizing costs."[7] As part of the annual statistical report, organizations were able to report on the extent to which sustainability considerations had been integrated into their procurement processes.

**Figure 6. United Nations organizations reporting on sustainable procurement, 2013-2017**




52. In 2017, 10 additional organizations provided information on sustainable procurement: 38 of the 40 organizations providing procurement data for the annual statistical report submitted sustainable procurement information, compared to 28 out of 39 in 2016. Together, those 38 organizations accounted for 97.4 per cent of total United Nations procurement in 2017 (see figure 6).

53. Formalization of sustainable procurement through high-level commitment continued to be important for reporting organizations. Twenty of the 38 reporting organizations noted they had adopted or were planning to adopt a policy on sustainable procurement, while 17 noted the same for a sustainable procurement strategy.

54. Whether in possession of such a high-level document or not, 33 organizations in 2017 noted that they were applying some sort of sustainable procurement initiative, with the majority employing a total cost of ownership

[7] United Nations High Level Committee on Management Procurement Network, adopted in 2009

approach in their financial evaluations. Many organizations continued to incorporate sustainability criteria into the requirements definitions of their tenders.

55. Among the types of sustainable procurement considerations that can be incorporated in procurement processes, economic considerations continued to be applied most often, by 68.4 per cent of reporting organizations, followed closely by environmental and, third, social considerations.

56. Reporting organizations made considerable progress on their internal capacity development. In 2017, 22 out of 38 organizations reported they had trained or were planning to train their procurers in sustainability, compared to 13 out of 28 organizations in 2016.

57. In terms of supplier engagement, more than half of the reporting organizations said that they verify the adherence of suppliers to the United Nations Supplier Code of Conduct, a slight improvement compared to 2016. However, the number of organizations that reported they engage with their suppliers to enhance their capacity to deliver more sustainable products decreased compared to 2016.

58. Procurement data was analysed to determine the share of procurement from companies participating in the United Nations Global Compact. The Global Compact is a voluntary global corporate sustainability initiative, calling on companies and other social actors to align their strategies and operations with universal principles on human rights, labour, the environment and anti-corruption. In 2017, procurement from companies participating in the Global Compact accounted for 15.9 per cent of total United Nations procurement, and continued a decreasing trend as noted in previous years.[8] While procurement from participating companies declined consistently in most regions, it increased substantially in the Latin America and Caribbean region.

## VIII. Collaborative procurement within the United Nations system

59. Collection of data on collaborative procurement was initiated in response to General Assembly resolution 71/243 on the quadrennial comprehensive policy review. The resolution calls on organizations to further their synergies and inter-agency efforts, and requests that United Nations system entities explore further opportunities for collaborative procurement at the global, regional and country levels. The General Assembly also requested that the organizations record details of the efficiencies achieved through collaborative procurement and report on them in a consolidated format. Such data was presented for the first time in the 2016 edition of the annual statistical report.

60. Collaborative procurement encompasses the following activities:[9]

(a) Using existing long-term agreements or contracts of other United Nations organizations;

(b) Establishing and using joint long-term agreements through a 'lead agency' approach;

(c) Using the procurement services of other United Nations organizations;

(d) Procuring from other United Nations organizations; and

(e) Other formal collaborations with United Nations partners through: (i) joint procurement unit, or (ii) sharing specifications or developing common specifications.

61. In 2017, 22 out of 40 United Nations organizations reported on collaborative procurement as part of their annual statistical report submissions. In addition, for the purposes of this analysis, transactions where the supplier was another United Nations organization have been identified as collaborative procurement. When such data is included, almost all organizations (38 out of 40) used collaborative procurement approaches in 2017.

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[8] Data excludes suppliers where names were unknown or withheld for security reasons (7.0 per cent of total United Nations procurement value).

[9] As defined by the High-Level Committee on Management Procurement Network: https://www.ungm.org/Areas/Public/Downloads/15_06%20HarmonizingUNProcurement_GUIDELINES_final.pdf

62. The total collaborative procurement volume in 2017 was $2.6 billion, representing 14.2 per cent of total United Nations procurement volume. That figure includes $608 million of procurement transactions where an organization procured goods and services from another United Nations organization. Such procurement represented 3.3 per cent of the total 2017 United Nations procurement volume.

63. Other collaborative procurement activities (procurement indicated by organizations as using collaborative procurement approaches, but excluding United Nations procurement from other United Nations organizations), totalled $2.0 billion. Most organizations have technical restrictions that limit their ability to report on collaborative procurement, so that figure would represent a conservative estimate of collaborative procurement in the United Nations system.

# Annex. Additional acronyms and abbreviations used in table 3

| | |
|---|---|
| **ECA** | Economic Commission for Africa |
| **ECLAC** | Economic Commission for Latin America and the Caribbean |
| **ESCAP** | Economic and Social Commission for Asia and the Pacific |
| **ESCWA** | Economic and Social Commission for Western Asia |
| **FAO** | Food and Agriculture Organization of the United Nations |
| **IAEA** | International Atomic Energy Agency |
| **IFAD** | International Fund for Agricultural Development |
| **ILO** | International Labour Organization |
| **IMF** | International Monetary Fund |
| **IMO** | International Maritime Organization |
| **IOM** | International Organization for Migration |
| **ITC** | International Trade Centre |
| **ITU** | International Telecommunication Union |
| **OPCW** | Organization for the Prohibition of Chemical Weapons |
| **PAHO** | The Pan American Health Organization |
| **UN-Women** | United Nations Entity for Gender Equality and the Empowerment of Women |
| **UNAIDS** | Joint United Nations Programme on HIV/AIDS |
| **UNAKRT** | United Nations Assistance to the Khmer Rouge Trials |
| **UNESCO** | United Nations Educational, Scientific and Cultural Organization |
| **UNFCCC** | United Nations Framework Convention on Climate Change |
| **UNHCR** | Office of the United Nations High Commissioner for Refugees |
| **UNICEF** | United Nations Children's Fund |
| **UN-ICTY/MICT** | United Nations International Criminal Tribunal for the former Yugoslavia |
| **UNIDO** | United Nations Industrial Development Organization |
| **UNOG** | United Nations Office at Geneva |
| **UNON** | United Nations Office at Nairobi |
| **UNOV** | United Nations Office at Vienna |
| **UNPD** | United Nations Procurement Division |
| **UNRWA** | United Nations Relief and Works Agency for Palestine Refugees in the Near East |
| **UNSPSC** | United Nations Standard Products and Services Code |
| **UNU** | United Nations University |
| **UNV** | United Nations Volunteers |
| **UNWTO** | World Tourism Organization |
| **UPU** | Universal Postal Union |
| **WFP** | World Food Programme |
| **WHO** | World Health Organization |
| **WIPO** | World Intellectual Property Organization |
| **WMO** | World Meteorological Organization |

United Nations

DP/OPS/2018/6

**Executive Board of the United Nations Development Programme, the United Nations Population Fund and the United Nations Office for Project Services**

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Item 9 of the provisional agenda
**United Nations Office for Project Services**

# The UNOPS response to the Joint Inspection Unit review of management and administration in the United Nations Office for Project Services

*Note by the Executive Director*

The UNOPS Executive Director is pleased to transmit for the consideration of the members of UNDP/UNFPA/UNOPS Executive Board her comments and response to the Joint Inspection Unit review of management and administration in the United Nations Office for Project Services (JIU/REP/2018/3). The Board many wish to take note of the review and of the Executive Director's response and comments.

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# I. Introduction

1. The Executive Director is pleased to transmit her comments and response to the Joint Inspection Unit review on management and administration in the United Nations Office for Project Services (JIU/REP/2018/3).

2. The review was conducted as part of the Joint Inspection Unit programme of work for 2017, as follow up to its 1998 report on the broader engagement of UNOPS with other United Nations organizations to strengthen effective cooperation by taking advantage of division of labour and complementarities. The review process was initiated by the Unit through a memo dated 1 March 2017, and was completed upon receipt by management, on 18 June 2018, of the Inspector's final draft of the report.

3. The objective of the Joint Inspection Unit was to provide an independent review of the regulatory frameworks and practices of UNOPS management and administration, with a view to identifying areas for improvement. The review focused on areas such as governance, executive management, oversight, strategic planning, risk management, and financial and human resources management.

# II. General comments

4. The Executive Director is pleased to note the Inspector's recognition of the high degree of commitment and transparency of the executive management of UNOPS throughout the assessment process.[1] Innovation for efficiency and effectiveness lies at the heart of the strategic ambitions and entrepreneurial culture of UNOPS. It was therefore a priority to make managers and personnel available to respond to queries and swiftly provide data, analysis and other information requested by the Inspector.

5. UNOPS is committed to benchmarking the excellence of its operations against internationally recognized standards, and deploying best practices across all areas of its work. The Executive Director notes with appreciation the Inspector's confirmation that past efforts have been successful, and appreciates this opportunity to consider perspectives and reflections on strategic and tactical measures that may contribute to the continuous improvement of the organization and its management practices.

***Viable business model***

6. The Executive Board may wish to note the Inspector's recognition of the viability and success of the demand-driven and self-financed UNOPS business model, which over the past 20 years, through successive realignments of structure and business approaches, has been adapted to the needs of partners, within and outside the United Nations system, and to the evolving external environment.[2] The Inspector emphasised that the review confirmed the client-oriented and entrepreneurial UNOPS culture characterized by a strong business orientation, flexibility, and focus on adding value to the activities of its partners.[3]

*Known value proposition*

7. The Inspector noted that the UNOPS value proposition emphasizes operational excellence, technical expertise based on international norms and standards, experience and impartiality. She added that these traits are perceived by UNOPS partners as organizational strengths; and several partners consider UNOPS a critical component for the success of their own operations. The Inspector also noted that partners acknowledge the UNOPS appetite for innovation, and the fact that it is a one-stop shop for a wide range of services.[4]

*Recognized agility and self-financed business model*

8. In relation to the flexibility and agility of UNOPS, the Inspector noted that, encouraged by the General Assembly and the Executive Board, "UNOPS has successfully diversified and expanded its business, both for new partners and new service lines."[5] She highlighted that the Executive Board in 2017 reiterated its encouragement to the United Nations system "to recognize the comparative

[1] JIU/REP/2018/3, paragraph 4
[2] Ibid., p. iii
[3] Ibid., p. iii and paragraphs 135 and 167
[4] Ibid., paragraph 165
[5] Ibid., paragraph 169

advantage and technical expertise of UNOPS and to engage in collaborative strategic partnerships for efficiency and effectiveness, including at the country level".[6]

9. In relation to the UNOPS business model, the Inspector noted that "being a self-financed entity, UNOPS revenues are neither based on assessed nor voluntary contributions, but instead originate from the funds received from its clients for the delivery of projects and services".[7] With respect to the UNOPS activity-based cost-recovery model, the Inspector "commends the successful attempt to better identify and charge direct costs to clients considering UNOPS self-funding nature".[8]

10. Management feels it pertinent to emphasize that novel concepts such as risk- and value-based pricing and activity-based costing may seem unfamiliar and complex to a number of actors within and beyond the United Nations system. Nevertheless, these same concept and principles are regularly applied when the United Nations system procures goods and service from private sector agents which, unlike UNOPS, are oriented towards profits. Management would like to take this opportunity to emphasize its intent and practices to ensure cost-effectiveness and full transparency in the direct and indirect costs of the efforts UNOPS initiates in response to partner demand.

11. In section V.B. and annex VII the Inspector provided an overview of UNOPS project activities, summarizing the relative share of its delivery (turnover/direct costs), and net revenue (fee/indirect costs) in relation to its main service lines, sectors and partner groups. The annex included an overview of UNOPS delivery in relation to the types of countries of operation.

12. In its comments on the draft report, UNOPS encouraged the Joint Inspection Unit to draw this line of analysis to conclusion, inter alia, by illustrating the relationships between fee and turnover. Calculations based on the figures presented in the present report, illustrate that the indirect UNOPS margins (fee over turnover) are low: during the period 2014-2017 the overall average fee amounted to 5.25 per cent, and in 2017 it had reached an all-time low average of only 4.84 per cent. This suggests significant relative cost-effectiveness when compared to the 8 per cent fee typically charged by other organizations in the United Nations system, some of which may at the same time be funding indirect costs through core and other contributions.

13. The overall average fee results from the composition of the UNOPS portfolio of projects at a given time. It is an aggregate of all the individual projects, and multiple factors affects the fee for a particular project. As confirmed by the Inspector,[9] these factors include the service mix, size and nature of projects, as well as risk stemming from individual project complexities and/or the nature of the operational environment in which it is implemented. The general fee-level is also affected by continued pursuit on the part of UNOPS to optimize the cost effectiveness of its institutional enabling environment and global delivery platform.

14. It would be simplistic to assume that the individual fees of the 1,000 or so projects managed by UNOPS can be directly deduced based on the overall average. On the contrary, in order not to cross-subsidize unrelated activities undertaken on behalf of its partners, UNOPS recognizes that direct as well as indirect cost needs to be determined and attributed to each project. Direct cost thus includes costs of shared services, which will inevitably vary depending on the type of services a partner requires for a particular project. Indirect cost pertains primarily to institutional costs related to strategy, policy and control, as well as continued development of UNOPS partner relationships, its institutional enabling environment and its delivery platform.

15. The overall average fee and indirect costs established as a percentage of total expenditure provide an indication of institutional cost-effectiveness. Nevertheless, at the project level, a simplistic focus on fee and indirect cost as a percentage of the direct expenditure potentially distort focus and attention to the cost effectiveness of the latter – which is the bulk of any intervention – as well as to the ultimate value generated through the total expense incurred by the partner. While this is largely beyond the control of UNOPS, it does appear to be a systemic issue warranting attention, in the context of the ongoing United Nations system reforms, to ensure that the realization of envisaged outcomes is stimulated through appropriate incentive mechanisms.

16. In sum, the project-focused and differentiated approach to costing and pricing ensures the transparent attribution of costs to strategic and tactical efforts, and the discipline to avoid operational cross-subsidization for delivery of the diverse portfolio of projects, including contingencies for

[6] JIU/REP/2018/3, paragraph 169
[7] Ibid., paragraph 9
[8] Ibid., paragraph 99
[9] Ibid., paragraph 93

known project risks. Overall UNOPS margins (fees/indirect costs) are very low compared to public- and private-sector benchmarks, and internally UNOPS indirect costs are incurred prudently, with due consideration to ensuring institutional viability in the short, medium and longer term.

17. UNOPS maintains its management reserve at the minimum level established by the Executive Board[10] with a view to the unforeseen risks that may stem from its self-financed business model. That level was established to guarantee the financial viability and integrity of UNOPS as a going concern. Reserves beyond the minimum are maintained to enable potential strategic investments for growth and innovation, allowing for the mitigation of upside and downside risks emanating from changes in the external environment, and/or new requirements established by the Executive Board from time to time.

*A resource with comparative advantage*

18. In relation to the UNOPS comparative advantage to expand implementation capacity, the Inspector recalled and reaffirmed the emphasis of the 1998 report on a sharper division of labour between UNOPS and other United Nations system organizations based on their respective comparative advantages so as to optimize their complementarities;[11] and noted that since 1998 a number of external studies and reviews have drawn attention to the UNOPS advantage in implementation and management support services .[12]

19. Finally, the Executive Board may wish to note that during the review the Inspector identified a number of good practices followed by UNOPS that may be shared with other United Nations system organizations and may be beneficial to them in the context of implementing the 2030 Agenda for Sustainable Development, as well as in the ongoing United Nations system reform process.[13]

20. The overall findings of the Inspector attest to the viability of the UNOPS business model as established by the Executive Board and the General Assembly, and demonstrate that over the past 20 years UNOPS has been able to deploy change management for effective organizational reform.

***Recommendations for continued improvement***

21. Despite the confirmation of the success and relevance of UNOPS as a resource to expand implementation capacity for the United Nations system and beyond, its management recognizes that for any organization, ensuring institutional fit for purpose is a continuous process of improvement and innovation, building internal capabilities in response to changes in the external environment, and learning from experience.[14] It therefore appreciates the opportunity to consider the Inspector's perspectives and reflections on measures that may contribute to the continuous improvement of the organization and its management practices.

22. Based on the review, the Inspector presented formal as well as informal recommendations for continued improvement to be considered by the Executive Board and by UNOPS management. The recommendations spanned the functional scope of the areas covered during the review and were strategic and tactical in nature.

*Formal recommendations*

23. The Inspector presented three formal recommendations, two addressed to the Executive Board and one to the Executive Director of UNOPS. The Executive Director's comments and response to the formal recommendations are provided below.

*Informal recommendations*

24. The Inspector presented a number of informal recommendations for consideration. UNOPS will consider these for inclusion in the internal work plans of relevant functional managers during the present strategy period. Priority will be assigned and progress will be tracked as part of the UNOPS integrated approach to monitoring oversight recommendations. A status update on the recommendations may be provided as an annex to the midterm review, which will be presented the Executive Board in 2020.

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[10] Decision 2013/33
[11] JIU/REP/98/5, paragraph 4
[12] Ibid., paragraph 171
[13] Ibid., paragraph 3
[14] DP/OPS/2017/5, paragraph 112

# III. Comments on formal recommendations

## A. Formal recommendations addressed to the Executive Board

***External oversight***

25. In paragraph 44 of the report of the Joint Inspection Unit, the Inspector formally recommended:

**Recommendation 1**

**The Executive Board should adopt at its 2019 annual session revised terms of reference prepared by the Executive Director for the Audit Advisory Committee in compliance with good practices and established standards, notably with regard to the mandate, independence and composition of the committee and the procedures for the appointment of its members.**

26. UNOPS is firmly committed to assessing its practices, including internal oversight and governance arrangements, against external standards, and to applying them with due regard to the relevant legislative decisions of the Executive Board and the General Assembly.

27. The Audit Advisory Committee was established through Executive Board decisions 2015/4 and 2015/12 pursuant to DP/OPS/2015/CRP.1, which proposed terms of reference comparable to those of the UNDP and UNFPA audit advisory committees. The Committee assumed the relevant functions of its predecessor, the Strategy and Audit Advisory Committee, which the Executive Board had established in 2008. In accordance with the provisions of decision 2008/37, the Chairs of the Audit Advisory Committee and the Strategy and Audit Advisory Committee provided annual reports to the Executive Board as an annex to the annual report on internal oversight. The Executive Board has consistently taken note of those annual reports.

28. In the rationale for the recommendation, the Inspector referred to the standards of the Institute of Internal Auditors. The Executive Board may wish to note that the reference point in the standards is an "independent audit committee", defined as "a public sector organization board-level committee made up of at least a majority of independent members with responsibility to provide oversight of management practices in key governance areas".[15] "It should play an independent oversight and advisory role, with responsibility for decision-making resting with management".[16]

29. The Executive Board may wish to recall its decisions on the terms of reference for the Audit Advisory Committee. In decision 2015/4, the Board noted that "the advisory nature of the of the committee does not conflict with the functions of the Executive Board as laid out in General Assembly resolutions 48/162".[17] The Board emphasized that the role of the Committee was to "provide independent views and findings regarding assurances to management and the Board on the audit and oversight functions of the organization".[18]

30. In other words, while in most respects very similar to the definition of an "independent audit committee", the "audit advisory committee" established by the Board in 2015, pursuant to its prior decisions 2008/37, 2009/4 and 2012/5, differs slightly – particularly with respect to its "advisory" nature and the emphasis on ensuring that it does not infringe on the strategic oversight role vested in the Executive Board through General Assembly resolution 48/162, nor duplicate the advisory function of the Advisory Committee on Administrative and Budgetary Questions. The Executive Board may wish to recall that those considerations were central in its consultations on the process for selection and appointment of committee members, which took place between the first regular and annual sessions 2015. They concluded with decision 2015/12, through which the full Audit Advisory Committee terms of reference were endorsed, with reference to best practices established by UNDP and UNFPA.

31. Notwithstanding the above, should the Executive Board, pursuant to its consideration of the Inspector's recommendation and of its decisions 2015/4 and 2015/12, deem it warranted to materially change the mandate of the Audit Advisory Committee and other aspects of its terms of reference, the Board may wish to consider such changes in the context of related processes that may

[15] Independent Audit Committees in Public Sector Organizations, 2014, p. 4
[16] Ibid., p. 6
[17] Decision 2015/4, paragraph 3
[18] Ibid., paragraph 4

affect United Nations governance structures, including how a potential revision might affect other audit advisory committees under its purview.

32. The Board may also wish to consider changes in the context of General Assembly resolution 72/279, specifically in relation to the Secretary-General's proposal to gradually merge the New York-based Executive Boards.

33. The Board may wish to note that the Joint Inspection Unit, in its work programme for 2018, included a dedicated review of audit and oversight committees in the United Nations system. While that review is still ongoing, it may be useful for the Executive Board to consider its findings upon its completion.

34. Finally, the Board may wish to consider the financial implications of potential fundamental changes to the role and functions of the committee and its members. In accordance with the terms of reference, the present functions are fulfilled by its members on a pro bono basis. A Board-level committee might require honoraria for members and a dedicated secretariat.

35. Pursuant to the Inspector's recommendation on the composition of the committee and the process for identifying, screening and appointing new members, UNOPS will explore the feasibility of undertaking an executive search to identify a broader pool of qualified candidates. This would supplement current due diligence practices, including background and reference checks of potential candidates; notification of the Executive Board president of changes in membership; and annual confidentiality and 'no conflict of interest' affidavits by members. In addition, management will seek to address membership overlap with the UNOPS Strategic Advisory Group of Experts.

***Financial framework***

36. In paragraph 106 of the report of the Joint Inspection Unit, the Inspector formally recommended:

> **Recommendation 3**
>
> **The Executive Board should revisit at regular intervals the contingency provisions under UNOPS budget to determine the appropriate threshold of the Mandatory Operational Reserve and take a decision on UNOPS reserves portfolio, starting at its second regular session in 2019.**

37. Through its decision 2012/5, the Executive Board established the regulatory framework enabling the UNOPS transition from United Nations system accounting standards to the International Public Sector Accounting Standards.[19] The revised financial regulations and rules, including provision for the establishment of operational reserves, were approved pursuant to review and advice by the Advisory Committee on Administrative and Budgetary Questions.[20]

38. Regulation 22.02 of the UNOPS financial regulations and rules set out the types of reserves that may be established: "(a) An operational reserve at a level set by the Executive Board. The purpose of the operational reserve is to guarantee the financial viability and integrity of UNOPS as a going concern[; and] (b) A growth and innovation reserve to invest in the future revenue generating ability of UNOPS". It further stipulates that "transfers to this reserve will be limited to 50 per cent of the excess operational reserves, over and above the level set by the Executive Board. The specific approval of the Executive Board shall be required if the amount to be transferred exceeds 50 per cent of the excess operational reserve". Finally, it stipulates "(c) The decision to draw form these reserves shall rest solely with the Executive Director who shall report all drawdowns to the Executive Board".

39. The minimum level established pursuant to financial regulation 22.02 (a) included a mandatory requirement for the Executive Director to ensure that an operational reserve at this minimum level be maintained, whereas 22.02 (b) delegated to the Executive Director a conditional and discretionary authority to establish further dedicated reserves of the nature described.

40. While adoption of the financial regulations provided clear direction for the types of reserves that may be established, as well as on the associated authorities and responsibilities of the Executive Director, they did not set the reserve level deemed appropriate in accordance with International

[19] DP/OPS/2012/1, annex I
[20] DP/OPS/2012/2, paragraph 13

Public Sector Accounting Standards. That was established through decision 2013/33, whereby the formula for establishing the minimum operational reserve requirement was revised.

41. Decision 2013/33 was informed by a comprehensive benchmarking study of practices in some 1,800 organizations with business models broadly comparable to that of UNOPS. The study was conducted over a period of several months and generated several best practice options for consideration by UNOPS management, the Advisory Committee on Administrative and Budgetary Questions, and the Executive Board. The report of the Advisory Committee on Administrative and Budgetary Questions on the study[21] emphasizes two main considerations supporting a new formula for the minimum management reserve: (a) almost all projects are pre-funded, and evident project-related risks are mitigated either by contractual clauses or as a consequence of the UNOPS business model – consequently, there are practically no risks immediately associated with the execution of projects that could influence the operational reserve level; (b) in accordance with the International Public Sector Accounting Standards, accruals related to end-of-service liabilities for personnel/retirees have to be built, as opposed to the United Nations System Accounting Standards, where these were considered part of the operational reserve. If earlier targets were to be maintained those liabilities would effectively be double-counted, once by the accruals made and once by the operational reserve.

42. The minimum operational reserve requirement was subsequently approved by the Executive Board taking into account the transition from cash to accrual accounting. The formula for its calculation was established with a view to potential fluctuations in UNOPS financial activities and associated management expense, in order to protect the self-financed business model against the potential effects of unforeseen risks.

43. In its decision 2016/12, the Executive Board supported the creation of "a seed capital fund aimed at utilizing a portion of UNOPS operational reserves to make targeted contributions to early-stage investment projects in UNOPS mandated areas". In other words, the Executive Board elaborated further and provided a specific example of how the Executive Director may consider operationalizing the authority granted through financial regulation 22.02 (b).

44. The UNOPS budget estimates are approved by the Executive Board every two years following advice from the Advisory Committee on Administrative and Budgetary Questions. In the UNOPS biennial budget estimates, 2018-2019,[22] UNOPS budgeted $20 million (11.2 per cent) of its estimated revenue for the period for strategic investments, and $26.6 million (14.8 per cent) for potential write-offs, provisions and contingency surplus. These are estimated allocations of potential management expense towards upside and downside risks that may or may not materialize over the two-year period. They should not be equated with the UNOPS operational reserve, as only their actual materialization, in conjunction with realization of estimated revenues, could affect any excess over the minimum reserve requirement in an upward or downward direction.

45. With regard to transparency of the potential or actual financial effect of downside risk, UNOPS, in accordance with the International Public Sector Accounting Standards, publicly discloses write-offs in respect of risks that materialized, and provisions for risks that may materialize in the future, including for relevant contingent liabilities. This is done annually through the audited financial statements presented to the General Assembly and the Executive Board by the United Nations Board of Auditors.

46. In summary, management does not believe that the self-financed UNOPS business model has changed materially since the Boards decisions 2012/5 and 2013/33, nor does it find any evidence of such change in the Inspector's report. On the contrary, the Inspector repeatedly confirmed the viability of the extant business model. Additionally, it is recognized best practice in the outside world that such formulas should not be revisited more frequently than once in 10 years. UNOPS management is therefore of the opinion that current regulations and financial reporting practices provide clear accountability and full transparency in relation to the issue under consideration. It is the considered opinion of management that there is no compelling reason at this time to revisit the formula governing the establishment of the operational reserves.

[21] See DP/OPS/2013/7 and DP/OPS/2013/CRP.1.
[22] DP/OPS/2017/6, table 3

## B. Formal recommendation addressed to the Executive Director

*Ethics framework*

47. In paragraph 60 of the report of the Joint Inspection Unit, the Inspector formally recommended:

**Recommendation 2**

**The Executive Director should strengthen the ethics framework, notably by (a) establishing a full time staff position of the Ethics Officer at senior level and (b) providing additional resources in the Management Budget 2019-2020 to ensure a more proactive ethics function.**

48. UNOPS is firmly committed to the norms and standards of the United Nations, and to ensuring that ethical management and business practices are observed by its personnel. As observed by the Inspector, it has introduced a number of initiatives and efforts over the years to make sure that these are observed throughout the organization and its activities, most recently through the implementation of the governance, risk and compliance initiative.

49. Since 2009, the UNOPS Ethics Office has fulfilled its functions in accordance with the Secretary-General's bulletin on the United Nations system-wide application of ethics (ST/SBG/2007/11) and has been an important part of ensuring the UNOPS commitment to ethical conduct. In 2015, the resourcing of the function was reinforced considerably; nevertheless, UNOPS management is ready to further consider the level of resourcing.

50. UNOPS management concurs with the Inspector's recommendation that the Ethics Office should be headed by an incumbent of a senior-level staff position, and views favourably the proposal to enhance the proactive posture of the function, duly buttressed by a proportionate increase in its support resources.

51. UNOPS management will therefore proceed to strengthen the proactive posture of the ethics function, including the associated resourcing. Before the end of 2018 it will initiate the process to recruit the ethics officer at a senior-level staff position and augment the resourcing of the function. It will consider relevant benchmarks for other ethics offices in the United Nations system; decision 2018/14; and the UNOPS governance, risk and compliance initiative.